

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Amendment No. 2  
To  
FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**The RealReal, Inc.**

*(Exact name of Registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

**7389**  
*(Primary Standard Industrial  
Classification Code Number)*

**45-1234222**  
*(I.R.S. Employer  
Identification Number)*

**55 Francisco Street  
Suite 600  
San Francisco, CA 94133  
(855) 435-5893**

*(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)*

**Julie Wainwright  
Chief Executive Officer  
55 Francisco Street  
Suite 600  
San Francisco, CA 94133  
(855) 435-5893**

*(Name, address, including zip code, and telephone number, including area code, of agent for service)*

**Hank V. Barry  
Martin A. Wellington  
Helen Theuing  
Sidley Austin LLP  
1001 Page Mill Road  
Building 1  
Palo Alto, CA 94304  
(650) 565-7000**

**Copies to:  
Dana DuFrane  
General Counsel  
The RealReal, Inc.  
55 Francisco Street  
Suite 600  
San Francisco, CA 94133  
(855) 435-5893**

**Steven E. Bochner  
Robert G. Day  
Michael Nordtvedt  
Wilson Sonsini Goodrich & Rosati, Professional  
Corporation  
650 Page Mill Road  
Palo Alto, CA 94304  
(650) 493-9300**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

**CALCULATION OF REGISTRATION FEE**

Title of each Class of Securities to be Registered	Shares to be Registered(1)	Proposed Maximum Aggregate Offering Price Per Share(2)	Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)
Common Stock, par value \$0.00001 per share	17,250,000	\$19.00	\$327,750,000	\$39,724

- (1) Includes an additional 2,250,000 shares of our common stock that the underwriters have the option to purchase.  
(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(a) of the Securities Act of 1933, as amended.  
(3) The registrant previously paid \$12,120 of this amount in connection with a prior filing of this registration statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is declared effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 17, 2019

15,000,000 Shares

# The RealReal

## Common Stock

This is the initial public offering of shares of common stock of The RealReal, Inc. Prior to this offering, there has been no public market for our common stock. We anticipate that the initial public offering price will be between \$17.00 and \$19.00 per share. We have applied to list our common stock on The Nasdaq Global Select Market under the symbol "REAL."

We have granted the underwriters a 30-day option to purchase up to 2,250,000 additional shares of common stock from us at the initial public offering price, less the underwriting discounts and commissions.

We are an "emerging growth company" as the term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, have elected to comply with certain reduced public company reporting requirements. See the section titled "Prospectus Summary—Emerging Growth Company."

Investing in our common stock involves risks. See "[Risk Factors](#)" on page 13.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Us, Before Expenses
Per Share	\$	\$	\$
Total	\$	\$	\$

Neither the Securities and Exchange Commission, any state securities commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to investors on or about \_\_\_\_\_, 2019.

**Credit Suisse**

**BofA Merrill Lynch**

**UBS Investment Bank**

**KeyBanc Capital Markets**

**Stifel**

**Cowen**

**Raymond James**

The date of this prospectus is \_\_\_\_\_, 2019

Our Mission

Empower consignors  
and buyers to extend the  
life cycle of luxury goods  
in a way that honors  
luxury brands.

The future of luxury  
is circular.



Sustainability

We have built a vibrant marketplace that promotes the recirculation of luxury goods and contributes to a more sustainable world.

In 2018, we estimated our positive environmental impact since inception: 87 million driving miles and 1.39 billion glasses of water saved.



\$711M

2018 GMV

\$207M

2018 total revenue

9.4M

cumulative item sales

2.6M

new items added to the marketplace in 2018

~\$1B

cumulative consignor payouts

80%+

of 2018 GMV from repeat buyers

## TABLE OF CONTENTS

	<u>Page</u>
<a href="#">PROSPECTUS SUMMARY</a>	1
<a href="#">RISK FACTORS</a>	13
<a href="#">CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</a>	37
<a href="#">MARKET, INDUSTRY AND OTHER DATA</a>	39
<a href="#">USE OF PROCEEDS</a>	40
<a href="#">DIVIDEND POLICY</a>	41
<a href="#">CAPITALIZATION</a>	42
<a href="#">DILUTION</a>	44
<a href="#">SELECTED FINANCIAL AND OTHER DATA</a>	47
<a href="#">MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</a>	50
<a href="#">THE FUTURE OF LUXURY IS CIRCULAR</a>	73
<a href="#">BUSINESS</a>	83
<a href="#">MANAGEMENT</a>	102
<a href="#">EXECUTIVE COMPENSATION</a>	110
<a href="#">CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</a>	118
<a href="#">PRINCIPAL STOCKHOLDERS</a>	121
<a href="#">DESCRIPTION OF CAPITAL STOCK</a>	125
<a href="#">SHARES ELIGIBLE FOR FUTURE SALE</a>	131
<a href="#">MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR COMMON STOCK</a>	133
<a href="#">UNDERWRITING</a>	137
<a href="#">LEGAL MATTERS</a>	146
<a href="#">EXPERTS</a>	146
<a href="#">WHERE YOU CAN FIND ADDITIONAL INFORMATION</a>	146
<a href="#">INDEX TO FINANCIAL STATEMENTS</a>	F-1

You should rely only on the information contained in this document or to which we have referred you. Neither we nor the underwriters have authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document. Regardless of the time of delivery of this prospectus or of any sale of shares of our common stock and the information in any free writing prospectus that we may provide you in connection with this offering is accurate only as of the date of that free writing prospectus. Our business, financial condition, results of operations and future growth prospects may have changed since those dates.

Through and including (the 25<sup>th</sup> day after the date of this prospectus), all dealers effecting a transaction in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

For investors outside the United States: Neither we, nor the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the common stock and the distribution of this prospectus outside of the United States.

## PROSPECTUS SUMMARY

*This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before buying shares in this offering. Therefore, you should read this entire prospectus carefully, including the sections titled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes included elsewhere in this prospectus, before deciding whether to purchase our common stock. Unless the context requires otherwise, the words "we," "us," "our," and "the Company" refer to The RealReal, Inc.*

### The RealReal, Inc.

#### Our Mission

Our mission is to empower consignors and buyers to extend the lifecycle of luxury goods in a way that honors luxury brands.

#### Overview

The RealReal is the world's largest online marketplace for authenticated, consigned luxury goods. We are revolutionizing luxury resale by providing an end-to-end service that unlocks supply from consignors and creates a trusted, curated online marketplace for buyers globally. Over the past eight years, we have cultivated a loyal and engaged consignor and buyer base through continuous investment in our technology platform, logistics infrastructure and people. We aggregate and curate unique, pre-owned luxury supply that is exclusive to The RealReal across multiple categories, including women's, men's, kids', jewelry and watches, and home and art. We have built a vibrant online marketplace that we believe expands the overall luxury market, promotes the recirculation of luxury goods and contributes to a more sustainable world.

We participate in the large and growing personal luxury goods market, which was expected to reach \$294 billion in 2018, and is expected to grow to between \$362 and \$412 billion in 2025, according to Bain. Luxury goods retain value over time as a result of their enduring desirability and durability, making them particularly well-suited for resale. The total addressable market of luxury products in U.S. homes potentially available for resale, including men's and women's apparel, handbags, shoes, watches, jewelry, high-end furniture and art valued below \$250,000, is approximately \$198 billion according to Frost & Sullivan. We are well positioned to benefit from several favorable industry and consumer trends, including the accelerating shift of luxury to digital channels, the increasing acceptance of resale, a rising value consciousness and a desire to embrace sustainability.

The existing luxury resale market is outdated, fragmented, difficult to access and laden with counterfeit goods. Primarily due to these challenges, a vast quantity of consignable luxury goods languishes in homes, and buyers can be hesitant to purchase pre-owned luxury goods. We are transforming the luxury resale experience by addressing these challenges.

- **We provide a seamless consignment experience enabled by our proprietary technology platform and data.** We leverage our proprietary technology and data analytics to provide world-class service, making consignment easy, convenient, reliable and fast. As a result, we unlock luxury supply from first-time consignors, convert consignors who typically consign at local brick-and-mortar shops to our online marketplace and drive high repeat consignment rates. We leverage data from millions of previous transactions and current market data to optimize pricing and sales velocity for our consignors. Through March 31, 2019, we have cumulatively paid \$987.7 million in commissions to our consignors.

- **We offer buyers a vast, yet curated supply of pre-owned luxury goods and instill trust in the buying process.** In 2018, we added approximately 2.6 million new items to our online marketplace. Our highly trained experts build trust in our buyer base by thoroughly inspecting the quality and condition of, and authenticating, every item we receive. This trust drives repeat purchases from our buyer base and instills confidence in first-time buyers to purchase pre-owned luxury goods.

A strong network effect drives the growth of our online marketplace. As we bring more consignors onto our platform, we unlock more high-quality, luxury supply, which increases our merchandise assortment and attracts more buyers. This, in turn, increases sales velocity and commissions for our consignors. In addition, a meaningful share of our consignors become buyers and vice versa, which creates a differentiated flywheel that enhances the network effect of our online marketplace.

We generate revenue from orders processed through our website, mobile app and three retail stores located in New York and Los Angeles. Our revenue is primarily based on our take rates from these transactions. Our growth and success are evidenced by our operating and financial results in 2018:

- We processed 1.6 million orders, up 42% over 2017.
- Our average order value was \$446, up 2% over 2017.
- Our gross merchandise value (“GMV”) was \$710.8 million, up 44% over 2017. Please refer to the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operating Metrics” for a discussion of how we calculate GMV.
- Our net merchandise value (“NMV”) was \$506.6 million, up 45% over 2017. Please refer to the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operating Metrics” for discussion of how we calculated NMV.
- Our total revenue was \$207.4 million, up 55% over 2017.
- Our gross profit was \$136.9 million, up 56% over 2017.

#### **Consumer Trends in Our Favor**

We believe the following consumer trends provide strong tailwinds for our business:

- Increasing acceptance of resale.
- Rising value consciousness.
- Desire for newness, uniqueness and individuality.
- Focus on sustainability.

#### **Our Market Opportunity**

Consumers globally purchase hundreds of billions of dollars of personal luxury goods every year. These goods accumulate in homes over time and create a meaningful market opportunity for us. The number of garments purchased annually by the average consumer increased by 60% between 2000 and 2014, according to McKinsey. However, we believe that only a small portion of the clothes in an average person’s closet are worn on a regular basis. We unlock and recirculate underutilized personal luxury goods to address demand from millions of buyers globally through our trusted online marketplace.



#### **Challenges with Existing Luxury Resale Models**

Existing luxury resale models have failed to unlock the abundance of pre-owned luxury supply due to inherent challenges, which include the following:

- **Friction for consignors.** Existing luxury resale models often require consignors to spend a significant amount of time and energy dropping off items at physical locations or self-listing on peer-to-peer platforms.
- **Lack of trust for buyers.** Due to the pervasiveness of counterfeit luxury goods and inconsistent authentication standards, buyers can be hesitant to purchase pre-owned luxury goods.
- **Fragmented supply.** Luxury supply that is available for resale is largely distributed across thousands of brick-and-mortar stores that have limited hours of operation, feature a narrow selection and only offer exposure to a local buyer base. As a result, consignors often experience slow monetization times at suboptimal prices.

#### **Our Solution**

We are delivering the future of luxury resale. Over the past eight years, we developed innovative service and technology solutions to address the challenges inherent in existing luxury resale models.

#### **Unique Service Model to Unlock Pre-owned Luxury Supply**

Our large sales and service organization, as of December 31, 2018, included more than 180 luxury managers serving more than 40 major metropolitan markets in the United States and is responsible for obtaining exclusive supply for our online marketplace. Our sales professionals generate a robust pipeline of new consignors and build lasting relationships, which cannot be easily replicated. They consult on the consignment process and leverage data to advise consignors on pricing, expected selling time and market trends. In 2018, approximately 80% of our GMV came from repeat consignors.

- **We deliver an end-to-end service experience.** We remove friction from the consignment process by providing multiple consignment methods: White Glove in-home consultation and pickup; drop off at one of our eleven luxury consignment offices, three of which are located in our retail stores; or complimentary shipping directly to our merchandising and fulfillment facilities.
- **We do the work on behalf of consignors.** Once consigned items reach one of our four merchandising and fulfillment facilities, we authenticate, write the associated copy, photograph, price, sell and handle all fulfillment and returns logistics, making the consignment process seamless.
- **We generate high commissions for consignors.** Our scale and global reach combined with our technology-driven online marketplace and proprietary data enable consignors to realize optimal value for their pre-owned luxury goods. Our consignors earn up to 85% in commissions and achieved an average commission rate of approximately 65% in 2018.
- **We drive rapid monetization.** Our online marketplace efficiently matches supply with demand resulting in exceptional sales velocity. In 2017 and 2018, approximately 60% and 80% of the products on our online marketplace sold within 30 days and 90 days, respectively. In addition to sales velocity, we measure the ratio of demand versus supply in a given period, which we refer to as our online marketplace sell-through ratio. Sell-through ratio is defined as GMV in the period divided by the aggregate initial value of items added to our online marketplace in that period. In 2017 and 2018, our online marketplace sell-through ratios were 93% and 96%, respectively.

***Exclusive, Authenticated Pre-owned Luxury Supply Drives Demand***

We make it easy for buyers to shop our vast, yet curated selection of authenticated, pre-owned luxury goods. In 2018, we had approximately 416,000 active buyers in approximately 60 countries and greater than 80% of our GMV came from repeat buyers. As we continue to unlock exclusive luxury supply, we expect to attract new buyers and drive repeat purchases from our existing buyers.

- *We offer a seamless buying experience.* Buyers access our omni-channel online marketplace through our website, mobile app and retail stores, enabling them to purchase anytime, anywhere.
- *We build trust by expertly authenticating every item.* Each item is put through a rigorous, multi-point authentication process by our highly trained gemologists, horologists, brand experts or art curators. As a result, we believe we have become the most trusted online marketplace for pre-owned luxury goods.
- *We provide access to unique, highly coveted and exclusive products.* We provide buyers with access to a vast, yet curated selection of unique, authenticated, pre-owned luxury goods. In 2018, we sold goods bearing the brand of over 7,000 luxury and premium designers, including highly coveted items such as rare watches and handbags.

***Proprietary Technology Platform to Manage Complex Single-SKU Logistics***

Technology powers all aspects of our business, including our complex, single-SKU inventory management system. Our supply comes from thousands of individual consignors across the United States. Each item we sell is a truly unique, individual stock keeping unit ("single-SKU") and is exclusively available on our online marketplace. We have processed up to 14,000 single-SKUs a day in 2018. Given the complexity of our inventory model, we developed and continuously innovate specialized, proprietary applications to optimize inbound processes, such as authentication, copywriting, photography and photo-editing. We increasingly use our technology platform to automate pricing for goods sold through our online marketplace.

***Proprietary Data and Powerful Algorithms***

Our powerful data analytics capabilities enable us to improve both consignor and buyer experiences. Our online marketplace generates and aggregates hundreds of millions of unique data points, including data from approximately 400 million views of items on our online marketplace in 2018 by potential buyers, which we refer to as item views, and approximately 9.4 million item sales since inception. Each consigned item also has up to 50 unique attributes. Informed by this data, we have developed proprietary algorithms and business processes to optimize our operations, including supply sourcing, merchandising, authentication, pricing and marketing.

***Focus on Luxury to Expand the Market and Create a More Sustainable World***

We offer important benefits to both the new and resale luxury markets, including the following:

- *We provide a gateway to luxury brands.* We believe we are expanding the overall market for both new and pre-owned luxury goods, as the ability to experience and engage with luxury brands through our online marketplace results in an earlier appreciation for high-quality, well-crafted items, and inspires consumers to purchase new luxury items. While we presently have no contractual or other affiliations with luxury brands other than our partnership with Stella McCartney, we believe our online marketplace cultivates customer relationships for luxury brands.
- *We promote sustainability and a circular economy.* We are committed to extending the lifecycle of luxury goods by promoting their recirculation, rather than creating waste. By creating a circular economy and reshaping consumer purchasing behavior, we contribute to a more sustainable world.

**Our Competitive Strengths**

***Scale and Powerful Network Effects***

We are the largest online marketplace for authenticated, consigned luxury goods. We expect to maintain our leadership position by increasing our scale, thereby amplifying the network effects between consignors and buyers. In addition, as buyers become consignors and vice versa, we create a unique flywheel that further accelerates our momentum. Through March 31, 2019, 53% of our consignors are also buyers and 13% of our buyers are also consignors.

***Trust***

Trust is the cornerstone of our online marketplace. Consignors trust us because we treat their items with the utmost care and quickly sell them at the optimal price. Buyers trust us because we have a rigorous authentication process. We believe the trust and personal relationships that we have built with both consignors and buyers over the past eight years cannot be easily replicated.

***End-to-end Service***

We make consignment easy, convenient, reliable and fast by offering an end-to-end service that drives existing consignors to consign more frequently and attracts new consignors to our online marketplace. We provide world-class customer service to drive repeat purchases from our existing buyers and attract new buyers.

***Efficient, Technology-enabled Operations at Scale***

Over the past eight years, we have invested significant resources to optimize our logistics, processes and purpose-built, proprietary technology platform, which enables us to efficiently manage the unique complexities of our operational model at scale.

***Data-driven Insights***

Our proprietary data and algorithms provide us with operational insights that continuously enhance our consignor and buyer experiences. Through these insights, we are able to identify market trends early and incentivize our sales professionals to obtain on-trend, highly coveted merchandise.

***Innovative, Founder-led Management Team***

We are led by our CEO, Julie Wainwright, who founded The RealReal with a vision to transform the luxury resale experience. We have built a talented, experienced senior management team and a culture of innovation and entrepreneurship where inspired people thrive.

***Growth Strategies***

We strive to make the luxury resale experience frictionless for consignors and buyers. We intend to achieve this goal by:

- Attracting new consignors and buyers.
- Increasing the lifetime value of consignors and buyers.
- Amplifying The RealReal brand.
- Increasing penetration in existing categories.

- Continuing to invest in innovation and infrastructure.
- Strategically expanding offline.
- Growing our international presence.

**Risks Factors Summary**

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled “Risk Factors” immediately following this prospectus summary. These risks include the following:

- If we fail to generate a sufficient amount of new and recurring supply of pre-owned luxury goods by attracting and retaining consignors, our business would be harmed.
- We may not be able to identify and lease merchandising and fulfillment facilities in geographic regions that enable us to effectively scale our operations and attract and retain specialized personnel to effectively manage the merchandising operations required to authenticate, process and sell consigned luxury goods.
- We have a history of losses and we may not achieve or maintain profitability in the future.
- We may not be able to sustain our revenue growth rate or effectively manage growth.
- National retailers and brands set their own retail prices and promotional discounts on new luxury goods, which could adversely affect our value proposition to consumers.
- We have a short operating history in an evolving industry and, as a result, our past results may not be indicative of future operating performance.
- We rely on consumer discretionary spending and may be adversely affected by economic downturns and other macroeconomic conditions or trends.
- Our success depends on the accuracy of our authentication process, and failure by us to identify counterfeit goods could adversely affect our reputation and expose us to liability.
- We may not succeed in promoting and sustaining our brand, which could have an adverse effect on our business and future growth.
- We may fail to attract new buyers and retain repeat buyers.
- We are currently, and may be in the future, party to lawsuits and other claims that are expensive and time-consuming, and, if resolved adversely, could have a significant impact on our business, financial condition and operating results.
- If we are unable to successfully leverage technology to automate and drive efficiencies in our operations, our business could be adversely affected.

**Corporate Information**

We were incorporated in the state of Delaware in March 2011. Our principal executive offices are located at 55 Francisco Street, Suite 600, San Francisco, California 94133, and our telephone number is (855) 435-5893. Our website address is [www.therealreal.com](http://www.therealreal.com). Information contained on, or that can be accessed through, our website is not incorporated by reference into this prospectus, and you should not consider information on our website to be part of this prospectus.

The RealReal, *Obsessions* and other trademarks or service marks of The RealReal, Inc. appearing in this prospectus are the property of The RealReal, Inc. This prospectus contains additional trade names, trademarks and service marks of others, which are the property of their respective owners. Solely for convenience, the

trademarks, service marks, logos and trade names referred to in this prospectus are without the ® and ™ symbols, but such references are not intended to indicate that we will not assert our rights in these trademarks, service marks and trade names.

**Emerging Growth Company**

The Jumpstart Our Business Startups Act (the “JOBS Act”), was enacted in April 2012 with the intention of encouraging capital formation in the United States and reducing the regulatory burden on newly public companies that qualify as emerging growth companies. We are an “emerging growth company” within the meaning of the JOBS Act. We may take advantage of certain exemptions from various public reporting requirements, including the requirement that we provide more than two years of audited financial statements and related management’s discussion and analysis of financial condition and results of operations, and that our internal control over financial reporting be audited by our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”). In addition, the JOBS Act provides that an “emerging growth company” can delay adopting new or revised accounting standards until those standards apply to private companies. We intend to take advantage of these exemptions until we are no longer an emerging growth company. We have elected to use the extended transition period to enable us to comply with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (1) are no longer an emerging growth company and (2) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

We will cease to be an emerging growth company upon the earliest of (1) the end of the fiscal year following the fifth anniversary of this offering; (2) the last day of the fiscal year during which our annual gross revenues are \$1.07 billion or more; (3) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt securities; and (4) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded \$700.0 million as of the end of the second quarter of that fiscal year.

See the section titled “Risk Factors—Risks Relating to Our Initial Public Offering and Ownership of Our Common Stock—We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.”

**THE OFFERING**

Common stock offered	15,000,000 shares
Common stock outstanding after this offering	82,700,671 shares
Option to purchase additional shares	2,250,000 shares
Use of proceeds	<p>We estimate that the net proceeds to us from the sale of the shares of common stock offered by us will be approximately \$245.8 million or approximately \$283.5 million if the underwriters' option to purchase additional shares is exercised in full, based on an assumed initial public offering price of \$18.00 per share, which is the midpoint of the estimated price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.</p> <p>We intend to use the net proceeds from this offering for general corporate purposes, including working capital, operating expenses and capital expenditures. In addition, 1% of the net proceeds will be used to fund The RealReal Foundation, a Delaware non-profit organization formed to engage in charitable activities. We will also use a portion of the net proceeds to pay a \$0.3 million success fee to the lender under our term loan facility payable upon completion of this offering. We may also use a portion of the net proceeds to acquire, invest in or obtain rights to complementary technologies, products, services or businesses. There are no such transactions under consideration at this time. See section titled "Use of Proceeds" for additional information.</p>
Proposed Nasdaq Global Select Market trading symbol "REAL"	
Risk factors	See the section titled "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.
The number of shares of common stock that will be outstanding after this offering is based on 67,700,671 shares of our common stock outstanding as of March 31, 2019 and excludes:	
<ul style="list-style-type: none"><li>• 9,204,328 shares of common stock issuable upon exercise of options outstanding as of March 31, 2019, at a weighted-average exercise price of \$3.32 per share under our 2011 Equity Incentive Plan ("2011 Plan");</li><li>• 1,149,975 shares issuable upon exercise of options outstanding granted after March 31, 2019, at a weighted-average exercise price of \$11.64 per share under our 2011 Plan;</li><li>• 5,742 shares of common stock issuable upon exercise of a common stock warrant outstanding as of March 31, 2019 with an exercise price of \$3.48 per share;</li><li>• 103,563 shares of common stock issuable upon conversion of shares of preferred stock issuable pursuant to warrants outstanding as of March 31, 2019 at a weighted average exercise price of \$3.34 per share on a common equivalent basis;</li></ul>	

- 805,975 shares of common stock reserved for future issuance under our 2011 Plan, as of March 31, 2019, which shares will be added to the shares reserved for future issuance under our 2019 Equity Incentive Plan (“2019 Plan”);
- 8,000,000 shares of common stock initially reserved for future issuance under our 2019 Equity Incentive Plan which became effective on the business day immediately prior to the effectiveness of the registration statement of which this prospectus forms a part; and
- 1,750,000 shares of common stock initially reserved for issuance under our 2019 Employee Stock Purchase Plan (“ESPP”), which became effective on the business day immediately prior to the effectiveness of the registration statement of which this prospectus forms a part.

Unless otherwise indicated, all information in this prospectus assumes:

- a 1-for-2 reverse stock split of our common stock, which became effective on June 13, 2019;
- no exercise of outstanding options;
- no exercise of outstanding warrants;
- conversion of all of our preferred stock into an aggregate of 58,363,606 shares of common stock immediately prior to the consummation of this offering;
- the filing and effectiveness of our certificate of incorporation in Delaware and the effectiveness of our bylaws will each occur immediately prior to the completion of this offering; and
- no exercise of the underwriters of their option to purchase up to an additional 2,250,000 shares of our common stock.

SUMMARY FINANCIAL AND OTHER DATA

The summary statement of operations data for 2017 and 2018 are derived from our audited financial statements appearing elsewhere in this prospectus. The summary statement of operations data for the three months ended March 31, 2018 and 2019 and the balance sheet data as of March 31, 2019 are derived from our unaudited financial statements appearing elsewhere in this prospectus. We have prepared the unaudited financial statements on the same basis as the audited financial statements and have included all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of the financial information set forth in those statements. Our historical results are not necessarily indicative of the results to be expected in the future. You should read this summary financial and other data in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements, related notes and other financial information included elsewhere in this prospectus.

Statement of Operations Data

	Year Ended December 31,		Three Months Ended March 31,	
	2017	2018	2018	2019
	(In thousands, except share and per share data)			
Revenue:				
Consignment and service revenue	\$ 121,210	\$ 183,991	\$ 40,999	\$ 56,236
Direct revenue	12,661	23,385	5,460	13,019
Total revenue	133,871	207,376	46,459	69,255
Cost of revenue:				
Cost of consignment and service revenue	35,657	50,855	11,577	15,946
Cost of direct revenue	10,572	19,603	4,277	10,927
Total cost of revenue	46,229	70,458	15,854	26,873
Gross profit	87,642	136,918	30,605	42,382
Operating expenses(1):				
Marketing	36,711	42,165	9,634	11,733
Operations and technology	58,680	104,929	21,332	31,544
Selling, general and administrative	44,035	63,728	13,524	22,319
Total operating expenses	139,426	210,822	44,490	65,596
Loss from operations	(51,784)	(73,904)	(13,885)	(23,214)
Interest income	355	1,046	84	405
Interest expense	(762)	(1,152)	(197)	(131)
Other expense, net	(60)	(1,656)	(108)	(282)
Loss before provision for income taxes	(52,251)	(75,666)	(14,106)	(23,222)
Provision for income taxes	57	99	—	—
Net loss	\$ (52,308)	\$ (75,765)	\$ (14,106)	\$ (23,222)
Accretion of redeemable convertible preferred stock to redemption value	(2,610)	(8,922)	(1,109)	(3,355)
Net loss attributable to common stockholders	\$ (54,918)	\$ (84,687)	\$ (15,215)	\$ (26,577)
Net loss per share attributable to common stockholders, basic and diluted(2)	\$ (6.74)	\$ (10.12)	\$ (1.83)	\$ (3.05)
Shares used to compute net loss per share attributable to common stockholders, basic and diluted(2)	8,145,787	8,365,344	8,299,688	8,705,664
Pro forma net loss per share attributable to common stockholders, basic and diluted(2)		\$ (1.34)		\$ (0.37)
Shares used to compute pro forma net loss per share attributable to common stockholders, basic and diluted(2)		56,402,048		62,532,173



(1) Operating expenses include stock-based compensation expense as follows:

	Year Ended December 31,		Three Months Ended March 31,	
	2017	2018	2018	2019
	(In thousands)			
Marketing	\$ 129	\$ 164	\$ 34	\$ 68
Operations and technology	625	1,160	273	490
Selling, general and administrative	1,099	1,587	238	551
Total	\$1,853	\$2,911	\$ 545	\$ 1,109

(2) See Notes 2 and 13 to our financial statements for an explanation of the calculations of our basic and diluted net loss per share attributable to common stockholders, pro forma net loss per share attributable to common stockholders and the weighted-average number of shares used in the computation of the per share amounts.

#### Balance Sheet Data

	As of March 31, 2019		
	Actual	Pro Forma(1)	Pro Forma As Adjusted(2)(3)
	(In thousands)		
Cash and cash equivalents	\$ 88,790	\$ 88,790	\$ 333,595
Short-term investments	14,246	14,246	14,246
Total assets	187,113	187,113	430,205
Total liabilities	100,686	99,796	99,796
Redeemable convertible preferred stock	198,308	—	—
Convertible preferred stock	169,098	—	—
Accumulated deficit	(280,982)	(280,982)	(283,690)
Total stockholders' (deficit) equity	(280,979)	87,317	330,409

(1) The pro forma column reflects (a) the conversion of all of the outstanding shares of our preferred stock into an aggregate of 58,363,606 shares of our common stock and (b) the conversion of the preferred stock warrants to common stock warrants and the related reclassification of the preferred stock warrant liability to additional paid-in capital all of which will occur immediately prior to the completion of this offering.

(2) The pro forma as adjusted column in the balance sheet data table above gives effect to (a) the pro forma adjustments set forth above, (b) the sale and issuance by us of 15,000,000 shares of our common stock in this offering, based upon the assumed initial public offering price of \$18.00 per share, which is the midpoint of the estimated offering price range on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us and (c) the application of a portion of the net proceeds of this offering to pay the 1% of the net proceeds of this offering used to fund The RealReal Foundation and a \$0.3 million success fee to the lender under our term loan facility payable upon completion of our initial public offering, as described in the section titled "Use of Proceeds."

(3) Each \$1.00 increase or decrease in the assumed initial public offering price of \$18.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease the amount of our pro forma as adjusted cash and cash equivalents, total assets and total stockholders' (deficit) equity by \$13.8 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting estimated underwriting discounts and commissions payable by us and the application of the net proceeds of this offering, including the 1% of the net proceeds of this offering used to fund The RealReal Foundation. An increase or decrease of 1.0 million shares in the number of shares offered by us would increase or decrease, as applicable, the amount of our pro forma as adjusted cash and cash equivalents, total assets and total stockholders' (deficit) equity by \$16.6 million assuming the assumed initial public offering price remains the same, and after deducting estimated underwriting discounts and commissions payable by us.

**Key Financial and Operating Metrics**

We review a number of operating and financial metrics, including the following key business and non-GAAP metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions.

	Year Ended December 31,		Three Months Ended March 31,	
	2017	2018	2018	2019
	(In thousands, except AOV and percentages)			
GMV	\$492,205	\$710,750	\$158,378	\$224,116
NMV	\$349,229	\$506,589	\$113,347	\$160,538
Number of orders	1,123	1,595	356	498
Take rate	33.7%	35.5%	35.1%	35.3%
Active buyers	291	416	326	456
AOV	\$ 438	\$ 446	\$ 445	\$ 450
Adjusted EBITDA	\$ (44,297)	\$ (58,856)	\$ (11,342)	\$ (18,478)

See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operating Metrics" for a description of GMV, NMV, number of orders, take rate, active buyers, AOV and Adjusted EBITDA. Adjusted EBITDA is a non-GAAP measure. Please see the section titled "Selected Financial and Other Data—Non-GAAP Financial Measures" for information regarding our use of Adjusted EBITDA and its reconciliation to net loss.

## RISK FACTORS

*Investing in our common stock involves a high degree of risk. You should consider and read carefully all of the risks and uncertainties described below, as well as other information included in this prospectus, including our financial statements and related notes appearing at the end of this prospectus, before making an investment decision. The risks described below are not the only ones facing us. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition or results of operations. In such case, the trading price of our common stock could decline, and you may lose all or part of your original investment. This prospectus also contains forward-looking statements and estimates that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks and uncertainties described below.*

### **Risks Relating to Our Business**

***If we fail to generate a sufficient amount of new and recurring supply of pre-owned luxury goods by attracting and retaining consignors, our business would be harmed.***

Our success depends on our ability to cost-effectively attract, retain and grow relationships with consignors, and in turn, our supply of luxury goods sold through our online marketplace. To expand our consignor base, we must appeal to and engage individuals new to consignment, or who have consigned through traditional brick-and-mortar shops but are unfamiliar with our business. We find new consignors by converting buyers utilizing our online marketplace, shopping in our three retail stores, utilizing our eleven luxury consignment offices ("LCOs"), paid advertising, referral programs, organic word-of-mouth and other methods of discovery, such as mentions in the press, Internet search engine results and through our partnership with Stella McCartney. We recently increased our paid marketing expenses by investing more in television advertising and digital marketing and we expect to increase our spending on these and other paid marketing channels in the future. We cannot be certain that these efforts will yield more consignors or be cost-effective. Moreover, new consignors may not choose to consign with us a second time or consign as frequently, or consign as many items or the same value of items, as has historically been the case with existing consignors. Therefore, the revenue generated from new consignors may not be as high as the revenue generated historically from our existing consignors or as high as we expect. If we fail to attract new consignors or drive repeat consignments, our ability to grow our business would be adversely affected.

Our ability to drive growth also depends on our success in continuing to generate a high volume of consigned items from new and existing consignors. To accomplish this, we rely on our sales professionals to drive our supply of luxury goods by identifying, developing and maintaining relationships with our consignors. Our sales professionals source high-quality, coveted luxury goods from consignors through a variety of methods including White Glove consultation, meeting with potential consignors in one of our eleven LCOs or shipping consigned goods to us from remote locations. The process of identifying and hiring sales professionals with the combination of skills and attributes required in these roles can be difficult and can require significant time. In addition, competition for qualified employees and personnel in the retail industry is intense and turnover amongst our sales professionals within a few years is not uncommon. Any shortage in sales professionals or delay in identifying and hiring quality sales professionals could have a negative impact on the business. If we are not successful in attracting and retaining effective sales professionals, the quantity and quality of the luxury goods sold through our online marketplace may be negatively impacted, which would have a material adverse effect on our business and operating results.

***We may not be able to attract and retain specialized personnel to effectively manage the merchandising operations required to authenticate, process and sell consigned luxury goods or identify and lease merchandising and fulfillment facilities in geographic regions that enable us to effectively scale our operations.***

We lease facilities to store and accommodate the logistics infrastructure required to merchandise and ship the pre-owned luxury goods we sell through our online marketplace. To grow our business, we must continue to improve and expand our merchandising and fulfillment operations, information systems and skilled personnel in the jurisdictions that have the skilled talent necessary to effectively operate our business. The operation of our business is complex and requires the coordination of multiple functions that are highly dependent on numerous employees and personnel. Each luxury item that we offer through our online marketplace is unique and requires multiple touch points, including inspection, evaluation, authentication, photography, pricing, copywriting, application of a unique individual stock keeping unit ("single-SKU") and fulfillment. We have rapidly increased our operations employee headcount to support the growth of our business. The number of employees in our merchandising and fulfillment facilities increased to 801 as of March 31, 2019 from 268 as of December 31, 2017, and we expect that number to continue to increase significantly in 2019. The market for these employees is increasingly competitive and is highly dependent on geographic location. Some of our employees have specific knowledge and skills that would make it more difficult to hire replacement personnel capable of effectively performing the same tasks without substantial training. If we fail to effectively locate, hire and retain such personnel, our operations would be negatively impacted, which would have an adverse effect on our business, financial condition and operating results.

Our ability to successfully grow our business also depends on the availability and cost of leasing additional merchandising and fulfillment facilities that meet our criteria for a geographic location with access to a large, qualified talent pool, square footage, cost and other factors. We currently have four merchandising and fulfillment facilities—one in California and three in New Jersey. Optimal space is becoming increasingly scarce, and where it is available, the lease terms offered by landlords are increasingly competitive. Incentives currently offered by local, state and federal entities to offset operating expenses may be reduced or become unavailable. Companies who have more financial resources and negotiating leverage than us may be more attractive tenants and, as a result, may outbid us for the facilities we seek. We also may be unable to renew our existing leases or renew them on satisfactory terms. Failure to identify and secure adequate new merchandising and fulfillment facilities in optimal geographic locations or maintain our current merchandising and fulfillment facilities could have an adverse effect on our business and operating results.

***We have a history of losses and we may not achieve or maintain profitability in the future.***

We experienced net losses of \$52.3 million, \$75.8 million and \$23.2 million in 2017, 2018 and the three months ended March 31, 2019, respectively, and as of March 31, 2019 we had an accumulated deficit of \$281.0 million. We believe there is substantial opportunity for growth in our business and our market and intend to invest aggressively to capitalize on this opportunity. As a result of these investments, we expect to incur additional losses for the foreseeable future. In particular, we are making significant investments in our marketing initiatives, expanding our operations and infrastructure, developing and introducing new technologies and automation and hiring additional personnel. These efforts may be more costly than we expect and may not result in revenue growth. In addition, in connection with operating as a public company, we will incur additional significant legal, accounting and other expenses that we did not incur as a private company. If our investments do not prove successful or our market does not develop as we expect, we may continue to experience losses over the long term. Any failure to increase our revenue sufficiently to keep pace with our investments and other expenses could prevent us from achieving or maintaining profitability or positive cash flow on a consistent basis. If we are unable to successfully address these risks and challenges as we encounter them, our business, financial condition and operating results could be adversely affected. We cannot assure you that we will ever achieve or sustain profitability and may continue to incur significant losses going forward.

***We may not be able to sustain our revenue growth rate or effectively manage growth.***

Our recent revenue growth should not be considered indicative of our future performance. As we grow our business, we expect our future revenue growth rates may slow due to a number of factors, including the maturation of our business, increased market adoption against which future growth will be measured, increasing competition or our failure to capitalize on growth opportunities. Additionally, consignors may opt to consign less with us to the extent we take steps, such as increasing our take rates, that make our online marketplace appear less attractive to them. Alternatively, the emergence of direct competitors may force us to decrease our take rates to remain competitive to attract consignors, which will have a negative impact on our financial performance.

We have experienced, and expect to continue to experience, rapid growth, which has placed, and will continue to place, significant demands on our management and our operational and financial infrastructure. Continued growth could also strain our ability to maintain reliable service levels for our consignors and buyers, develop and improve our operational, financial and management controls, enhance our reporting systems and procedures and recruit, train and retain highly skilled personnel. To support anticipated growth, we are committing substantial financial, operational and technical resources. Failure to effectively manage the growth of our business and operations would negatively affect our reputation and brand, business, financial condition and operating results.

***National retailers and brands set their own retail prices and promotional discounts on new luxury goods, which could adversely affect our value proposition to consumers.***

National retailers and brands set pricing for new luxury goods. Promotional pricing by these parties may adversely affect the value of products consigned with us and our inventory, and, in turn, our gross merchandise value (“GMV”) and operating results. In order to attract buyers to our online marketplace, the prices for the pre-owned luxury goods sold through our online marketplace may need to be lowered in order to compete with these pricing strategies, which could negatively affect gross merchandise value and in turn, our revenue. We have experienced a reduction in our GMV in the past due to fluctuations in the price of new luxury goods sold by retailers and brands, and we anticipate similar reductions and fluctuations in the future. Any of the foregoing risks could adversely affect our business, financial condition and operating results.

***We have a short operating history in an evolving industry and, as a result, our past results may not be indicative of future operating performance.***

Our online marketplace represents a substantial departure from the traditional resale market for luxury goods. While our business has grown rapidly, the resale market for luxury goods may not continue to develop in a manner that we expect or that otherwise would be favorable to our business. Our relatively short operating history and the changes in our market make it difficult to assess our future performance. You should consider our business and prospects in light of the risks and difficulties we may encounter.

Our future success will depend in large part upon our ability to, among other things:

- cost-effectively acquire and engage with new and existing consignors and buyers and grow our supply of high-quality, coveted luxury goods for sale through our online marketplace;
- scale our revenue and achieve the operating efficiencies necessary to achieve and maintain profitability;
- increase consignor and buyer awareness of our brand;
- anticipate and respond to changing consignor and buyer preferences;
- manage and improve our business processes in response to changing business needs;
- anticipate and respond to macroeconomic changes generally, including changes in both the primary and secondary market for luxury goods;

- effectively scale our operations while maintaining high service quality and consignor and buyer satisfaction;
- hire and retain talented people at all levels of our business;
- avoid or manage interruptions in our business from information technology downtime, cybersecurity breaches and other factors affecting our physical and digital infrastructure;
- fulfill and deliver orders in a timely manner and in accordance with customer expectations, which may change over time;
- maintain the quality of our technology and operations infrastructure;
- develop new technology or services to enhance the consignor and buyer experience; and
- comply with regulations applicable to our business.

If we fail to address the risks and difficulties that we face, including those associated with the challenges listed above as well as those described elsewhere in this “Risk Factors” section, our business and our operating results would be adversely affected.

***We rely on consumer discretionary spending and may be adversely affected by economic downturns and other macroeconomic conditions or trends.***

Our business and operating results are subject to global economic conditions and their impact on consumer discretionary spending, particularly in the luxury goods market. Some of the factors that may negatively influence consumer spending on luxury goods include high levels of unemployment, higher consumer debt levels, reductions in net worth, and declines in asset values and related market uncertainty, home foreclosures and reductions in home values, fluctuating interest rates and credit availability, fluctuating fuel and other energy costs, fluctuating commodity prices and general uncertainty regarding the overall future political and economic environment. Economic conditions in certain regions may also be affected by natural disasters, such as earthquakes, hurricanes and wildfires. Consumer purchases of new luxury goods have declined during periods of economic uncertainty, when disposable income is reduced or when there is a reduction in consumer confidence. Such economic uncertainty and decrease in the rate of luxury purchases in the primary market may slow the rate at which individuals choose to consign their goods with us which could result in a decrease of items available in our online marketplace.

***As an online marketplace for pre-owned luxury goods, our success depends on the accuracy of our authentication process. Failure by us to identify counterfeit goods could adversely affect our reputation and expose us to liability for the sale of counterfeit goods.***

Our success depends on our ability to accurately and cost-effectively determine whether an item offered for consignment is an authentic product, a genuine gemstone or piece of jewelry or a validated work of art. From time to time we receive counterfeit goods for consignment. While we have invested heavily in our authentication processes and we reject any goods we believe to be counterfeit, we cannot be certain that we will identify every counterfeit item that is consigned to us. As the sophistication of counterfeiters increases, it may be increasingly difficult to identify counterfeit products. We refund the cost of a product to a buyer if the buyer questions its authenticity and returns the item. The sale of any counterfeit goods may damage our reputation as a trusted online marketplace for authenticated, pre-owned luxury goods which may impact our ability to attract and maintain repeat consignors and buyers. Additionally, we may be subject to allegations that a pre-owned luxury item we sold is not authentic despite our confirmed authentication of such item. Such controversy could negatively impact our reputation and brand and harm our business and operating results.

***We may not succeed in promoting and sustaining our brand, which could have an adverse effect on our business and future growth.***

We believe that maintaining The RealReal brand is critical to driving consignor and buyer engagement. An important goal of our brand promotion strategy is establishing trust with our consignors and buyers. Maintaining our brand will depend largely on our ability to continue providing our consignors with service that is consistent with the level of luxury associated with the goods they are consigning and delivering value for the goods they consign, all in a timely and consistent manner. Our success depends in part on the quality of our sales professionals who represent our brand to new and existing consignors. Sales professionals cultivate relationships with our consignor base by making in-home visits to evaluate the luxury goods that our consignors want to consign. While we require that all sales professionals undergo a background check, this may not prevent illegal, improper or otherwise inappropriate actions by such employees, such as theft or physical assault, from occurring in connection with our services. Any negative publicity related to the foregoing could adversely affect our reputation and brand or public perception of our model of luxury consignment, which could negatively affect demand for our services and harm our business, financial condition and operating results.

For buyers, maintaining our brand requires that we foster trust through authentication, timely and reliable fulfillment of orders, and responsive and effective customer service. If we fail to provide consignors or buyers with the service and experience they expect, or experience consignor or buyer complaints or negative publicity about our online marketplace services, merchandise, delivery times or customer support, whether justified or not, the value of our brand would be harmed and our business may suffer.

***Our continued growth depends on attracting new and retaining repeat buyers.***

To expand our buyer base, we must appeal to and attract buyers who do not typically purchase luxury goods, who have historically purchased only new luxury goods or who used other means to purchase pre-owned luxury goods, such as traditional brick-and-mortar consignment shops, auction houses and the websites of other secondary marketplaces. We reach new buyers through television and digital advertising, other paid marketing, press coverage, referral programs, organic word of mouth and other methods of discovery, such as converting consignors to buyers. We expect to continue investing heavily in these and other marketing channels in the future and cannot be certain that these efforts will yield more buyers or be cost-effective. Moreover, new buyers may not purchase through our online marketplace as frequently or spend as much with us as historically has been the case with existing buyers. As a result, the revenue generated from new buyer transactions may not be as high as the revenue generated from transactions with our existing buyers. Failure to attract new buyers and to maintain relationships with existing buyers would adversely affect our operating results and our ability to attract and retain consignors.

***We are currently, and may be in the future, party to lawsuits and other claims that are expensive and time consuming and, if resolved adversely, could have a significant impact on our business, financial condition or operating results.***

We rely on the fair use doctrine when we routinely refer to third-party intellectual property, such as trademarks, on our platform. Third parties may dispute the scope of that doctrine and challenge our ability to reference their intellectual property in the course of our business. For instance, from time to time, we are contacted by companies controlling brands of goods consignors sell, demanding that we cease referencing those brands in connection with such sales, whether in advertising or on our website. We have consistently responded by reference to the holding in *Tiffany (NY), Inc. v. eBay* that factual use of a brand to describe and sell a used good is not false advertising. These matters have generally been resolved with no further communications, but some have resulted in litigation against us. For example, in November 2018, Chanel, Inc. (“Chanel”) filed a lawsuit against us in the U.S. District Court for the Southern District of New York bringing various trademark and advertising-related claims under the Lanham Act and New York state law analogues. Chanel alleges, among other things, that we have misrepresented certain counterfeit Chanel products as authentic Chanel products, that

our resale of Chanel products confuses consumers into believing that Chanel is affiliated with us and involved in authenticating consignors' goods and that only Chanel is capable of authenticating second-hand Chanel goods. This litigation is in its early stages and the final outcome, including our liability, if any, with respect to Chanel's claims, is uncertain. Chanel could in the future assert additional trademark and advertising or other claims against us in this or other proceedings. An unfavorable outcome in this or similar litigation could adversely affect our ability to conduct business and could lead Chanel and other luxury brands to bring additional claims against us. If this were to occur, our business, operating results and financial condition would be materially and adversely affected.

We are also at risk of claims by others that we have infringed their copyrights, trademarks or patents or improperly used or disclosed their trade secrets. In particular, third parties may allege that goods consigned to us are counterfeit or that by offering goods of a particular brand we are suggesting that we are sponsored by or affiliated with that brand. The costs of resolving any litigation or disputes related to these claims can be considerable, and we cannot assure you that we will achieve a favorable outcome of any such claim.

In addition, we have in the past and could face in the future a variety of employee claims against us, including but not limited to general discrimination, privacy, wage and hour, labor and employment, ERISA and disability claims. Any claims could also result in litigation against us or regulatory proceedings being brought against us by various federal and state agencies that regulate our business, including the U.S. Equal Employment Opportunity Commission. Often these cases raise complex factual and legal issues and create risks and uncertainties.

Defending litigation is costly and can impose a significant burden on management and employees, and there can be no assurances that favorable final outcomes will be obtained. The results of any such litigation, investigations and other legal proceedings are inherently unpredictable and expensive. In addition, plaintiffs may seek, and we may become subject to, preliminary or provisional rulings in the course of any such litigation, including potential preliminary injunctions requiring us to cease some or all of our operations. We may decide to settle such lawsuits and disputes on terms that are unfavorable to us. Similarly, if any litigation to which we are a party is resolved adversely, we may be subject to an unfavorable judgment that may not be reversed upon appeal. The terms of such a settlement or judgment may require us to cease some or all of our operations or pay substantial amounts to the other party. In addition, we may have to seek a license to continue practices found to be in violation of a third-party's rights, which may not be available on reasonable terms or at all, and may significantly increase our operating costs and expenses. As a result, we may also be required to develop alternative practices or discontinue the practices. The development of alternative practices could require significant effort and expense or may not be feasible. Our business, financial condition or operating results could be adversely affected as a result of an unfavorable resolution of the disputes and litigation referred to above.

***If we are unable to successfully leverage technology to automate and drive efficiencies in our operations, our business could be adversely affected.***

We are building automation, machine learning and other capabilities to drive efficiencies in our merchandising and fulfillment operations. As we continue to add capacity, capabilities and automation, our operations will become increasingly complex and challenging. While we expect these technologies to improve productivity in many of our merchandising operations, including pricing, copywriting, authentication, photography and photo retouching, any flaws or failures of such technologies could cause interruptions in and delays to our operations which may harm our business. We are increasing our investment in technology to support these efforts but they may not be effective in driving productivity, maintaining or improving the experience for buyers and consignors or providing a positive return on investment. We have created our own purpose-built technology to operate our business, but we also rely on technology from third parties. If these technologies do not perform in accordance with our expectations, third parties change the terms and conditions that govern their relationships with us, or if competition increases for the technology and services provided by third parties, our business may be harmed. In addition, if we are unable to add automation to our operations, we



may be unable to reduce the costs of processing consignments and fulfilling orders, which could cause delays in buyers receiving their purchases. Any of these outcomes could harm our reputation and our relationships with our consignors and buyers.

***Our advertising activity may fail to efficiently drive growth in consignors and buyers.***

Our future growth and profitability will depend in large part upon the effectiveness and efficiency of our advertising, promotion, public relations and marketing programs and we are investing heavily in these activities. These brand promotion activities may not yield increased revenue and the efficacy of these activities will depend on a number of factors, including our ability to do the following:

- determine the effective creative message and media mix for advertising, marketing and promotional expenditures;
- select the right markets, media and specific media vehicles in which to advertise;
- identify the most effective and efficient level of spending in each market, media and specific media vehicle; and
- effectively manage marketing costs, including creative and media expenses, to maintain acceptable consignor and buyer acquisition costs.

We closely monitor the effectiveness of our advertising campaigns and changes in the advertising market, and adjust or re-allocate our advertising spend across channels, customer segments and geographic markets in real-time to optimize the effectiveness of these activities. We expect to increase advertising spend in future periods to continue driving our growth. Increases in the pricing of one or more of our marketing and advertising channels could increase our marketing and advertising expenses or cause us to choose less expensive but possibly less effective marketing and advertising channels. If we implement new marketing and advertising strategies, we may incur significantly higher costs than our current channels, which, in turn, could adversely affect our operating results.

Implementing new marketing and advertising strategies also could increase the risk of devoting significant capital and other resources to endeavors that do not prove to be cost effective. We also may incur marketing and advertising expenses significantly in advance of the time we anticipate recognizing revenue associated with such expenses and our marketing and advertising expenditures may not generate sufficient levels of brand awareness or result in increased revenue. Even if our marketing and advertising expenses result in increased sales, the increase might not offset our related expenditures. If we are unable to maintain our marketing and advertising channels on cost-effective terms or replace or supplement existing marketing and advertising channels with similarly or more effective channels, our marketing and advertising expenses could increase substantially, our consignor and buyer base could be adversely affected, and our business, operating results, financial condition and brand could suffer.

***We may experience damage or destruction to our merchandising and fulfillment facilities or retail stores in which we store all of the consigned luxury goods we offer through our online marketplace which may materially adversely impact our business and operating results.***

We store the majority of the luxury goods we offer through our online marketplace in our merchandising and fulfillment facilities in California and New Jersey, with a small portion of luxury goods offered for sale in our three retail stores. Our merchandising and fulfillment facilities are located in areas that have a history of natural disasters, such as earthquakes and severe weather events, rendering our merchandising and fulfillment facilities vulnerable to damage. Any large scale damage to or catastrophic loss of goods stored in such merchandising and fulfillment facilities or retail stores, due to natural disasters or man-made disasters such as arson or theft or otherwise would result in liability to our consignors for the expected commission liability for the lost items, reduction in the value of our inventory and a significant disruption to our business. Additionally, given

the nature of the unique consigned luxury goods we offer on our online marketplace, our ability to restore the supply of consigned luxury goods on our online marketplace would take time and would result in a limitation and delay of available supply for buyers which would negatively impact our revenue and operating results. While we carry insurance for the consigned luxury goods stored in these merchandising and fulfillment facilities, the number of carriers which provide for such insurance has declined, which has resulted in increased premiums and deductibles. The insurance we do carry may not continue to be available on commercially reasonable terms and, in any event, may not be adequate to cover all possible losses that our business could suffer. In the event that we suffer a catastrophic loss of any or all of our merchandising and fulfillment facilities and the consigned luxury goods stored in such facilities, our liabilities may exceed the maximum insurance coverage amount which would materially adversely impact our business and operating results.

***We have experienced seasonal and quarterly variations in our revenue and operating results and, as a result, our quarterly results may fluctuate and could be below expectations.***

Our business is seasonal and historically we have realized a disproportionate amount of our revenue and earnings for the year in the fourth quarter as a result of the holiday season and seasonal promotions. We expect this to continue in the future. In anticipation of increased activity during the fourth quarter, we incur significant additional expenses, including additional marketing and staffing in our sales and customer support operations. In addition, we may experience an increase in our shipping costs due to complimentary upgrades, split-shipments and additional long-zone shipments necessary to ensure timely delivery for the holiday season. At peak periods, there could also be further delays in processing consigned goods or fulfilling buyer orders, which could lead to lower consignor and/or buyer satisfaction. As a result of increased expenses or delays in shipping, if we experience lower than expected revenue during any fourth quarter, it may have a disproportionately large impact on our operating results and financial condition for that year. Any factors that harm our fourth quarter operating results, including disruptions in our consignors' willingness to consign or unfavorable economic conditions, or adverse weather could have a disproportionate effect on our operating results for our entire fiscal year. In the future, our seasonal sales patterns may become more pronounced, may strain our personnel and may cause a shortfall in revenue related to expenses in a given period, which could substantially harm our business, operating results and financial condition.

***Our industry is highly competitive and if we do not compete effectively our operating results could be adversely affected.***

The resale market for luxury goods is highly competitive. We compete with vendors of new and pre-owned luxury goods, including branded luxury goods stores, department stores, traditional brick-and-mortar consignment stores, pawn shops, auction houses, specialty retailers, discount chains, independent retail stores, the online offerings of these traditional retail competitors, resale players focused on niche or single categories, as well as technology-enabled marketplaces that may offer the same or similar luxury goods and services that we offer. We believe our ability to compete depends on many factors within and beyond our control, including:

- engaging and enhancing our relationships with existing consignors and buyers and attracting new consignors and buyers;
- further developing our data science capabilities;
- maintaining favorable brand recognition and effectively delivering our online marketplace to consignors and buyers;
- identifying and delivering authentic luxury goods;
- maintaining and increasing the amount, diversity and quality of brands and luxury goods that we or our competitors offer;
- our ability to expand the categories of luxury goods our consignors consign and sell;
- the price at which consigned, authenticated luxury goods through our online marketplace are offered;

- the speed and cost at which we can authenticate and make available consigned luxury goods and deliver purchased goods to our buyers; and
- the ease with which our consignors and buyers can consign, purchase and return goods.

Failure to adequately meet these demands may cause us to lose potential consignors and buyers which could harm our business.

Many of our competitors have longer operating histories, larger fulfillment infrastructures, greater brand recognition and technical capabilities, faster shipping times, lower-cost shipping, larger databases, greater financial, marketing, institutional and other resources and larger buyer bases than we do. As the market evolves, competitors may emerge. For example, Farfetch Ltd recently announced the launch of a new consignment service. Some of our competitors may have greater resources than we do, which may allow them to derive greater revenue and profits from their existing buyer bases, acquire consignors at lower costs or respond more quickly than we can to new or emerging technologies and changes in consumer shopping behavior. These competitors may engage in more extensive research and development efforts, enter the business of online luxury consignment, undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies, which may allow them to build larger consignor or buyer bases or generate revenue from their existing buyer bases more effectively than we do. If we fail to compete effectively, our business and operating results may be adversely affected.

***We rely on third parties to host our website and mobile app and to process payments made by buyers or to consignors on our online marketplace. Any significant disruption in service provided by, or termination of our relationship with, such third parties could damage our reputation and result in loss of buyers and consignors, which would harm our business and results of operations.***

Our brand and ability to attract and retain consignors and buyers depends in part on the reliable performance of our network infrastructure and content delivery process. We have experienced, and expect that in the future we will experience, interruptions, delays and outages in service and availability from time to time due to a variety of factors, including infrastructure changes, human or software errors, website hosting disruptions and capacity constraints which could affect the availability of services on our platform and prevent or inhibit the ability of buyers to access our online marketplace or complete purchases on our website and app. We currently host our platform and support our operations using AWS. We do not have control over the operations of the facilities of AWS that we use. AWS' facilities are vulnerable to damage or interruption from natural disasters, cybersecurity attacks, terrorist attacks, power outages and similar events or acts of misconduct. The continuing and uninterrupted performance of our online marketplace is critical to our success. Volume of traffic and activity on our online marketplace spikes on certain days and during certain periods of the year, such as during a Black Friday promotion and generally during the fourth quarter due to the seasonality of our business, and any interruption would be particularly problematic if it were to occur at such a high volume time. We also use Google services for our business emails, file storage and communications. Any disruption or failure in the services we receive from Google could harm our ability to run our business.

We rely on third-party payment processors to process payments made by buyers or to consignors on our online marketplace. If our third-party payment processors terminate their relationships with us or refuse to renew their agreements with us on commercially reasonable terms, we would need to find an alternate payment processor and may not be able to secure similar terms or replace such payment processors in an acceptable timeframe. Further, the software and services provided by our third-party payment processors may not meet our expectations, contain errors or vulnerabilities, be compromised or experience outages. Any of these risks could cause us to lose our ability to accept online payments, make payments to consignors or conduct other payment transactions, any of which could make our platform less convenient and attractive and adversely affect our ability to attract and retain buyers and consignors.

***We must successfully gauge and respond to changing preferences among our consignors and buyers.***

Our success is in large part dependent upon our ability to anticipate and identify trends in the market for pre-owned luxury goods in a timely manner and to obtain consignments of luxury goods that address those trends. We use data science to predict consignor and buyer preferences, and there can be no assurance that our data science will accurately anticipate consignor or buyer requirements. Lead times relating to these changing preferences may make it difficult for us to respond rapidly to new or changing trends. We have begun to expand our offerings and the impact on our business from these new offerings is not clear as it is difficult to accurately predict consignor and buyer preferences. To the extent we do not accurately predict the evolving preferences of our consignors and buyers, our ability to grow our business and our operating results would be adversely affected.

***Failure to comply with applicable laws or regulations, including those relating to the sale of secondhand goods, may subject us to fines, penalties, loss of licensure, registration and approval or other governmental enforcement action.***

The sale of consigned goods through our online marketplace is subject to regulation, including by regulatory bodies such as the U.S. Consumer Product Safety Commission, the Federal Trade Commission, the U.S. Fish and Wildlife Service and other international, federal, state and local governments and regulatory authorities. These laws and regulations are complex, vary from state to state and change often. We monitor these laws and regulations and adjust our business practices as warranted to comply. We receive luxury goods on consignment from numerous consignors located in all 50 U.S. states and Puerto Rico, and the goods we receive from our consignors may contain materials such as fur, python, ivory and other exotic animal product components, that are subject to regulation. Our standard consignor terms and conditions require consignors to comply with applicable laws when consigning their goods. Failure of our consignors to comply with applicable laws, regulations and contractual requirements could lead to litigation or other claims against us, resulting in increased legal expenses and costs. Moreover, failure by us to effectively monitor the application of these laws and regulations to our business, and to comply with such laws and regulations, may negatively affect our brand and subject us to penalties and fines.

Numerous U.S. states and municipalities, including the States of California and New York, have regulations regarding the handling of secondhand goods and licensing requirements of secondhand dealers. Such government regulations could require us to change the way we conduct business or our buyers conduct their purchases in ways that increase costs or reduce revenues, such as prohibiting or otherwise restricting the sale or shipment of certain items in some locations. We could also be subject to fines or other penalties which in the aggregate could harm our business.

Additionally, the luxury goods our consignors sell could be subject to recalls and other remedial actions and product safety, labeling and licensing concerns may require us to voluntarily remove selected goods from our online marketplace. Such recalls or voluntary removal of goods can result in, among other things, lost sales, diverted resources, potential harm to our reputation and increased customer service costs and legal expenses, which could have a material adverse effect on our operating results.

Some of the luxury goods sold through our online marketplace on behalf of our consignors may expose us to product liability claims and litigation or regulatory action relating to personal injury, environmental or property damage. We cannot be certain that our insurance coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms or at all. In addition, while all of our vendor agreements contain a standard indemnification provision, certain vendors may not have sufficient resources or insurance to satisfy their indemnity and defense obligations which may harm our business.

***We rely on third parties to drive traffic to our website, and these providers may change their algorithms or pricing in ways that could negatively impact our business, operations, financial condition and prospects.***

We rely in part on digital advertising, including search engine marketing, to promote awareness of our online marketplace, grow our business, attract new consignors and buyers and increase engagement with existing consignors and buyers. In particular, we rely on search engines, such as Google, and the major mobile app stores as important marketing channels. Search engine companies change their search algorithms periodically, and our ranking in searches may be adversely impacted by those changes. Search engine companies or app stores may also determine that we are not in compliance with their guidelines and penalize us as a result. If search engines change their algorithms, terms of service, display or the featuring of search results, determine we are out of compliance with their terms of service or if competition increases for advertisements, we may be unable to cost-effectively add consignors and buyers to our website and apps. Our relationships with our marketing vendors are not long term in nature and do not require any specific performance commitments. In addition, many of our online advertising vendors provide advertising services to other companies, including companies with whom we may compete. As competition for online advertising has increased, the cost for some of these services has also increased. Our marketing initiatives may become increasingly expensive and generating a return on those initiatives may be difficult. Even if we successfully increase revenue as a result of our paid marketing efforts, such increase may not offset the additional marketing expenses we incur.

***Greater than expected product returns could have a negative impact on our revenue.***

We allow buyers to return certain purchases from our website and retail stores under our return policy. We record a reserve for returns against proceeds to us from the sale of goods on our online marketplace in calculating revenue. We estimate this reserve based on historical return trends. The introduction of new products in the retail market, changes in consumer confidence or other competitive and general economic conditions may also cause actual returns to exceed our reserve for returns. We believe adverse economic conditions in the past have resulted in an increase in our returns, and we have also experienced higher than expected returns in connection with fourth quarter holiday buying. Additionally, most of the consigned luxury goods are valuable and require special handling and delivery. From time to time, such goods are damaged in transit which can increase return rates, increase our costs and harm our brand. Returned goods may also be damaged in transit as part of the return process which can significantly impact the price we are able to charge for such goods on our online marketplace. Any significant increase in returns that exceeds our reserves could adversely affect our revenue and operating results.

***Compromises of our data security could cause us to incur unexpected expenses and may materially harm our reputation and operating results.***

In the ordinary course of our business, we collect, process and store certain personal information and other data relating to individuals, such as our consignors, buyers and employees. We also maintain other information, such as our trade secrets and confidential business information, that is sensitive and that we seek to protect. We rely substantially on commercially available systems, software, tools and monitoring to provide security for our processing, transmission and storage of personal information and other confidential information. We or our vendors could be the subject of hacking, social engineering, phishing attacks or other attacks. We have faced these attacks previously. Due to these or other causes, we or our vendors may suffer a data breach or other security incident, which may allow hackers or other unauthorized parties to gain access to personal information or other data, including payment card data or confidential business information, and we might not discover such issues for an extended period. The techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not identified until they are launched against a target. As a result, we and our vendors may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, our employees, contractors, vendors or other third parties with whom we do business may attempt to circumvent security measures in order to misappropriate such personal information, confidential information or other data, or may inadvertently release or compromise such data. We expect to incur ongoing costs associated

with the detection and prevention of security breaches and other security-related incidents. We may incur additional costs in the event of a security breach or other security-related incident. Any actual or perceived compromise of our systems or data security measures or those of third parties with whom we do business, or any failure to prevent or mitigate the loss of personal or other confidential information and delays in detecting or providing notice of any such compromise or loss could disrupt our operations, harm the perception of our security measures, damage our reputation, cause some participants to decrease or stop their use of our online marketplace and subject us to litigation, government action, increased transaction fees, regulatory fines or penalties or other additional costs and liabilities that could adversely affect our business, financial condition and operating results.

We cannot be certain that our insurance coverage will be adequate for data handling or data security liabilities, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material and adverse effect on our business, including our financial condition, operating results and reputation.

***Our use and other processing of personal information and other data is subject to laws and obligations relating to privacy and data protection, and our failure to comply with such laws and obligations could harm our business.***

Numerous state, federal and international laws, rules and regulations govern privacy, data protection and the collection, use and protection of personal information and other types of data we collect, use, disclose and otherwise process. These laws, rules and regulations are constantly evolving, and we expect that there will continue to be new proposed laws, regulations and industry standards concerning privacy, data protection and information security in the United States, the EU and other jurisdictions. For example, California enacted legislation in June 2018, the California Consumer Privacy Act (the “CCPA”) that will, among other things, require covered companies to provide new disclosures to California consumers and afford such consumers new abilities to opt-out of certain sales of personal information, when it goes into effect on January 1, 2020. The CCPA was amended in September 2018, and it is possible that it will be amended again before it goes into effect. It remains unclear what, if any, modifications will be made to the CCPA or how it will be interpreted. The CCPA may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. Similarly, the European Commission adopted a General Data Protection Regulation (the “GDPR”) that became fully effective on May 25, 2018, imposing stringent EU data protection requirements.

We cannot yet fully determine the impact these or future laws, rules and regulations may have on our business or operations. These laws, rules and regulations may be inconsistent from one jurisdiction to another, subject to differing interpretations and may be interpreted to conflict with our practices. Additionally, we may be bound by contractual requirements applicable to our collection, use, processing and disclosure of various types of data, including personal information, and may be bound by, or voluntarily comply with, self-regulatory or other industry standards relating to these matters.

Any failure or perceived failure by us or any third parties with which we do business to comply with these laws, rules and regulations, or with other obligations to which we or such third parties are or may become subject, may result in actions against us by governmental entities, private claims and litigation, the expenditure of legal and other costs and of substantial time and resources, and fines, penalties or other liabilities. Any such action would be expensive to defend, may require the expenditure of substantial legal and other costs and substantial time and resources and likely would damage our reputation and adversely affect our business and operating results.

Further, in view of new or modified federal, state or foreign laws and regulations, industry standards, contractual obligations and other legal obligations, or any changes in their interpretation, we may find it

necessary or desirable to fundamentally change our business activities and practices or to expend significant resources to modify our product and otherwise adapt to these changes. We may be unable to make such changes and modifications in a commercially reasonable manner or at all, and our ability to develop new products and features could be limited. Privacy, data protection and information security concerns, whether valid or not valid, may inhibit the use and growth of our online marketplace, particularly in certain foreign countries.

***If we fail to attract and retain key personnel on our executive team or to effectively manage leadership succession, our business, financial condition and operating results could be adversely impacted.***

Our success depends in part on our ability to attract and retain key personnel on our executive team. Senior employees have left our company in the past and others may in the future. We often cannot anticipate such departures, and may not be able to promptly replace key leadership personnel. The loss of one or more of our key personnel or the inability to promptly identify a suitable successor to a key role could have an adverse effect on our business. In particular, our Founder and Chief Executive Officer, Julie Wainwright, has unique and valuable experience from creating and leading our company from its inception through today. If she were to depart or otherwise reduce her focus on The RealReal, our business may be disrupted.

***Labor-related matters, including labor disputes, may adversely affect our operations.***

None of our employees are currently represented by a union. If our employees decide to form or affiliate with a union, we cannot predict the negative effects such future organizational activities will have on our business and operations. If we were to become subject to work stoppages, we could experience disruption in our operations, including delays in merchandising operations and shipping, and increases in our labor costs which could materially adversely affect our business, financial condition or results of operations.

***Expansion of our operations internationally will require management attention and resources, involves additional risks and may be unsuccessful.***

We have members from outside the United States who purchase items from our online marketplace, but we have not expanded our physical operations outside the United States. If we choose to expand our physical operations internationally, we would need to adapt to different local cultures, languages, standards, laws and regulations and policies. The online marketplace consignment business model we employ may not appeal to consignors and buyers outside of the United States. Furthermore, to succeed with clients in international locations, it will be necessary to locate merchandising and fulfillment facilities in foreign markets and hire local employees in those markets, and we may have to invest in such facilities before demonstrating that we can successfully run operations outside of the United States. We may not be successful in expanding into international markets or in generating revenue from foreign operations for a variety of reasons, including:

- our failure to localize our luxury consignment business model, including translation into foreign languages and adaptation for local cultures and customs;
- different buyer demand dynamics, which may make our model and the merchandise we offer less successful compared to the United States;
- competition from local firms that understand the local market and may operate more effectively;
- regulatory requirements, taxes, trade laws, trade sanctions and economic embargoes, tariffs, export quotas, import laws and regulations, custom duties, shipping of pre-owned goods from or into the U.S. or other trade restrictions or any unexpected changes thereto;
- differing labor regulations where labor laws may be more advantageous to employees as compared to the United States and increased labor costs;
- more stringent regulations relating to privacy and data security and access to, or use of, commercial and personal information, particularly in Europe;

- changes in a specific country's or region's political or economic conditions; and
- risks resulting from changes in currency exchange rates.

If we invest substantial time and resources to establish and expand our operations internationally and are unable to do so successfully and in a timely manner, our operating results would suffer.

***Our inability to replicate our business model for newer categories of consigned luxury goods in a timely and cost-effective manner may damage our business, financial condition and operating results.***

Our women's category accounted for approximately 67% of our GMV in 2018. We intend to deepen our penetration in other high-value categories such as men's, jewelry and watches, and home and art. We continue to explore additional categories of luxury goods to serve our existing consignors and buyers and to attract new consignors and buyers. These additional category offerings may not have the same success, or gain traction with consignors and buyers as quickly, as our women's offerings. If these additional categories of pre-owned luxury goods are not accepted by our existing consignors or buyers, or if such categories do not attract new consignors or buyers, our revenues may fall short of expectations, our brand and reputation could be adversely affected and we may incur expenses that are not offset by revenues. In addition, our business may be adversely affected if we are unable to attract new and repeat consignors that supply the necessary high-quality, appropriately priced and in-demand luxury merchandise in these additional categories, and these categories of goods may also have a different range of margin profiles than the goods currently sold through our online marketplace. Additionally, as we enter into new categories, potential consignors may demand higher commissions than our current categories, which would adversely affect our take rate and operating results. Expansion of our offerings may also strain our management and operational resources, specifically the need to hire and manage additional authentication and market experts. We may also face greater competition in specific categories from companies that are more focused on these categories. If any of these were to occur, it could damage our reputation, limit our growth and have an adverse effect on our operating results.

***Our business, including our costs and supply of consigned goods, is subject to risks associated with sourcing, processing, warehousing and shipping.***

Nearly all of the luxury goods we offer through our online marketplace are initially sourced from consignors who are individuals. As a result, we may be subject to periodic fluctuations in the number, brands and quality of goods sold through our online marketplace on behalf of our consignors. Our operating results could be negatively impacted by these fluctuations. In addition, as we expand into new categories of luxury goods, our payments to our consignors may rise relative to our existing categories, which could adversely affect our operating results.

We can make no assurance that goods we receive from consignors will be of sufficient quality or free from damage, or that such goods will not be damaged during shipping, while stored in one of our merchandising and fulfillment facilities or when shipped to buyers. While we take measures to avoid damage, conduct inspections of consigned goods and inspect returned products, we cannot control items while they are out of our possession or prevent all damage while in our merchandising and fulfillment facilities. For example, we have in the past and may in the future experience contamination, such as mold, bacteria, insects and other pests, in the goods shipped to us by our consignors, which may cause contamination of the goods stored in our merchandising and fulfillment facilities or while shipping to buyers. If we are unable to detect and quarantine such contaminants at the time such goods are initially received in our merchandising and fulfillment facilities, some or all of the goods stored in such facilities could be contaminated. We may incur additional expenses and our reputation could be harmed if clients and potential clients believe that the luxury goods we offer on behalf of our consignors is not of high-quality or may be damaged or contain contaminants.

***We could be liable for fraudulent or unlawful activities of consignors.***

We may fail to prevent consignors from consigning stolen goods. Government regulators and law enforcement officials may allege that our services violate, or aid and abet violations of certain laws, including



laws restricting or prohibiting the transferability and, by extension, the resale, of stolen goods. Our form of consignor agreement includes a representation that the consignor has the necessary right and title to the goods they may consign, and we include such a rule and requirement in our terms of service prohibiting the listing of stolen or otherwise illegal products. In addition, we have implemented other protective measures to detect such products. If these measures prove inadequate, we may be required to spend substantial resources to take additional protective measures which could negatively impact our operations. Any costs incurred as a result of potential liability relating to the alleged or actual sale of stolen goods could harm our business. In addition, negative publicity relating to the actual or perceived listing or sale of stolen goods using our services could damage our reputation, and make our consignors and buyers reluctant to use our services. To the extent any of this occurs, it could harm our business or damage our reputation and we could face liability for such unlawful activities. Despite measures taken by us to detect stolen goods, to cooperate fully with law enforcement, and to respond to inquiries regarding potentially stolen goods, any resulting claims or liabilities could harm our business.

***Shipping is a critical part of our business and any changes in our shipping arrangements or any interruptions in shipping could adversely affect our operating results.***

We currently rely on major vendors for our shipping. If we are not able to negotiate acceptable pricing and other terms with these vendors or they experience performance problems or other difficulties, it could negatively impact our operating results and our consignors' and buyers' experience. In addition, our ability to receive inbound consignments efficiently and ship luxury goods to buyers may be negatively affected by inclement weather, fire, flood, power loss, earthquakes, labor disputes, acts of war or terrorism and similar factors. Because of the seasonality of our business, we tend to ship more goods in the fourth quarter than any other quarter. Disruption to delivery services due to winter weather in the fourth quarter could result in delays that could adversely affect our reputation or operational results. If our goods are not delivered in a timely fashion or are damaged or lost during the consignment or the delivery process, our consignors or buyers could become dissatisfied and cease using our services, which would adversely affect our business and operating results.

***We may incur significant losses from fraud.***

We have in the past incurred and may in the future incur losses from various types of fraudulent transactions, including the use of stolen credit card numbers, claims that a consignment of a good was not authorized and that a buyer did not authorize a purchase. In addition to the direct costs of such losses, if the fraud is related to credit card transactions and becomes excessive, it could result in us paying higher fees or losing the right to accept credit cards for payment. Under current credit card practices, we are liable for fraudulent credit card transactions because we do not obtain a cardholder's signature. Our failure to adequately prevent fraudulent transactions could damage our reputation, result in litigation or regulatory action or lead to expenses that could substantially impact our operating results.

***Use of social media, emails and text messages may adversely impact our reputation or subject us to fines or other penalties.***

We use social media, emails, push notifications and text messages as part of our omni-channel approach to marketing. As laws and regulations evolve to govern the use of these channels, the failure by us, our employees or third parties acting at our direction to comply with applicable laws and regulations in the use of these channels could adversely affect our reputation or subject us to fines or other penalties. In addition, our employees or third parties acting at our direction may knowingly or inadvertently make use of social media in ways that could lead to the loss or infringement of intellectual property, as well as the public disclosure of proprietary, confidential or sensitive personal information of our business, employees, consumers or others. Information concerning us or our consignors and brands, whether accurate or not, may be posted on social media platforms at any time and may have an adverse impact on our brand, reputation or business. The harm may be immediate without affording us an opportunity for redress or correction and could have a material adverse effect on our reputation, business, operating results, financial condition and prospects.

***We may not accurately forecast revenue and appropriately plan our expenses.***

We rely on constant replenishment of consigned goods to sustain and grow our revenue, and our revenue in a given period can be difficult to predict. Additionally, our business is affected by general economic and business conditions. A downturn in the United States or global economies may result in decreased consumer disposable income and decreased purchases. We make certain assumptions when planning our expenses based on our expected revenue. These assumptions are partly based on historical results. Because our operating expenses are relatively fixed in the short term, any failure to achieve our revenue expectations would have a direct, adverse effect on our operating results. If actual results differ from our estimates, the trading price of our common stock may be adversely affected.

***If we cannot successfully protect our intellectual property, our business could suffer.***

We rely on a combination of intellectual property rights, contractual protections and other practices to protect our brand, proprietary information, technologies and processes. We primarily rely on copyright and trade secret laws to protect our proprietary technologies and processes, including the algorithms we use throughout our business. Others may independently develop the same or similar technologies and processes, or may improperly acquire and use information about our technologies and processes, which may allow them to provide a service similar to ours, which could harm our competitive position. Our principal trademark assets include the registered trademark “The RealReal” and our logos and taglines. Our trademarks are valuable assets that support our brand and consumers’ perception of our services and merchandise. We also hold the rights to the “thereal.com” Internet domain name and various related domain names, which are subject to Internet regulatory bodies and trademark and other related laws of each applicable jurisdiction. If we are unable to protect our trademarks or domain names, our brand recognition and reputation would suffer, we would incur significant expense establishing new brands and our operating results would be adversely impacted. Further, to the extent we pursue patent protection for our innovations, patents we may apply for may not issue, and patents that do issue or that we acquire may not provide us with any competitive advantages or may be challenged by third parties. There can be no assurance that any patents we obtain will adequately protect our inventions or survive a legal challenge, as the legal standards relating to the validity, enforceability and scope of protection of patent and other intellectual property rights are uncertain. We may be required to spend significant resources to monitor and protect our intellectual property rights, and the efforts we take to protect our proprietary rights may not be sufficient.

***We could be required to pay or collect sales taxes in jurisdictions in which we do not currently do so, with respect to past or future sales. This could adversely affect our business and operating results.***

An increasing number of states have considered or adopted laws that impose tax collection obligations on out-of-state sellers of goods. Additionally, the Supreme Court of the United States recently ruled in *South Dakota v. Wayfair, Inc. et al* (“Wayfair”), that online sellers can be required to collect sales tax despite not having a physical presence in the state of the customer. In response to Wayfair, or otherwise, states or local governments and taxing authorities may adopt, or begin to enforce, laws requiring us to calculate, collect and remit taxes on sales in their jurisdictions. While we collect and remit sales taxes in every state that requires sales taxes to be collected, including states where we do not have a physical presence, the adoption of new laws by, or a successful assertion by the taxing authorities of, one or more state or local governments requiring us to collect taxes where we presently do not do so, or to collect more taxes in a jurisdiction in which we currently do collect some taxes, could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest. The imposition by state governments and taxing authorities of sales tax collection obligations on out-of-state ecommerce businesses could also create additional administrative burdens for us, put us at a competitive disadvantage if they do not impose similar obligations on our competitors and decrease our future sales, which could have a materially adverse impact on our business and operating results.

***Application of existing tax laws, rules or regulations are subject to interpretation by taxing authorities.***

The application of the income and tax laws is subject to interpretation. Although we believe our tax methodologies are compliant, a taxing authority’s final determination in the event of a tax audit could materially

differ from our past or current methods for determining and complying with our tax obligations, including the calculation of our tax provisions and accruals, in which case we may be subject to additional tax liabilities, possibly including interest and penalties. Furthermore, taxing authorities have become more aggressive in their interpretation and enforcement of such laws, rules and regulations over time, as governments are increasingly focused on ways to increase revenues. This has contributed to an increase in audit activity and stricter enforcement by taxing authorities. As such, additional taxes or other assessments may be in excess of our current tax reserves or may require us to modify our business practices to reduce our exposure to additional taxes going forward, any of which may have a material adverse effect on our business, results of operations, financial condition and prospects.

***Amendments to existing tax laws, rules or regulations or enactment of new unfavorable tax laws, rules or regulations could have an adverse effect on our business and operating results.***

Many of the underlying laws, rules and regulations imposing taxes and other obligations were established before the growth of the Internet and e-commerce. U.S. federal, state and local taxing authorities are currently reviewing the appropriate treatment of companies engaged in Internet commerce and considering changes to existing tax or other laws that could levy sales, income, consumption, use or other taxes relating to our activities, and/or impose obligations on us to collect such taxes. If such tax or other laws, rules or regulations are amended, or if new unfavorable laws, rules or regulations are enacted, the results could increase our tax payments or other obligations, prospectively or retrospectively, subject us to interest and penalties, decrease the demand for our services if we pass on such costs to our buyers or consignors, result in increased costs to update or expand our technical or administrative infrastructure or effectively limit the scope of our business activities if we decided not to conduct business in particular jurisdictions. As a result, these changes may have a material adverse effect on our business, results of operations, financial condition and prospects.

Recently enacted legislation commonly referred to as the Tax Cuts and Jobs Act of 2017 made a number of significant changes to the current U.S. federal income tax rules, including reducing the generally applicable corporate tax rate from 35% to 21%, imposing additional limitations on the deductibility of interest, placing limits on the utilization of net operating losses and making substantial changes to the international tax rules. Many of the provisions of the Tax Cuts and Jobs Act still require guidance through the issuance and/or finalization of regulations by the U.S. Department of the Treasury in order to fully assess their effect, and there may be substantial delays before such regulations are promulgated and/or finalized, increasing the uncertainty as to the ultimate effect of the Tax Cuts and Jobs Act on us and our stockholders. There also may be technical corrections legislation or other legislative changes proposed with respect to the Tax Cuts and Jobs Act, the effect of which cannot be predicted and may be adverse to us or our stockholders.

***Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.***

We have incurred substantial net operating losses ("NOLs"), during our history. Unused NOLs may carry forward to offset future taxable income if we achieve profitability in the future, unless such NOLs expire under applicable tax laws. However, under the rules of Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Code"), if a corporation undergoes an "ownership change," generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period, the corporation's ability to use its NOLs and other pre-change tax attributes to offset its post-change taxable income or taxes may be limited. The applicable rules generally operate by focusing on changes in ownership among stockholders considered by the rules as owning, directly or indirectly, 5% or more of the stock of a company, as well as changes in ownership arising from new issuances of stock by the company. To date, we have not undertaken an analysis of whether we have experienced a change of control that would limit our ability to use our NOLs. As a result of these rules, in the event that it is determined that we have experienced an ownership change in the past, or if we experience one or more ownership changes as a result of this offering or future transactions in our stock, then we may be limited in our ability to use our NOL carryforwards to offset our future taxable income, if any. In addition, the Tax Cuts and Jobs Act imposes certain limitations on the deduction of NOLs generated in tax years that began on or after

January 1, 2018, including a limitation on use of NOLs to offset 80% of taxable income and the disallowance of NOL carryback. Although NOLs generated in tax years before 2018 may still be used to offset future income without limitation, the recent legislation may limit our ability to use our NOLs to offset any future taxable income.

***We may require additional capital to support business growth, and this capital might not be available or may be available only by diluting existing stockholders.***

We intend to continue making investments to support our growth and may require additional funds to support this growth and respond to business challenges, including the need to develop our online marketplace services, expand our categories of pre-owned luxury goods, enhance our operating infrastructure, expand the markets in which we operate and potentially acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. In addition, we may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited, and our business and prospects could fail or be adversely affected.

***Our reported results of operations may be adversely affected by changes in generally accepted accounting principles.***

Generally accepted accounting principles are subject to interpretation by the Financial Accounting Standards Board (“FASB”), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported results of operations and could affect the reporting of transactions completed before the announcement of a change. It is difficult to predict the impact of future changes to accounting principles or our accounting policies, any of which could negatively affect our reported results of operations.

***If our internal control over financial reporting or our disclosure controls and procedures are not effective, we may not be able to accurately report our financial results, prevent fraud or file our periodic reports in a timely manner, which may cause investors to lose confidence in our reported financial information and may lead to a decline in our stock price.***

We have been a private company and, as such, we have not been subject to the internal control and financial reporting requirements applicable to a publicly-traded company. We are required to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), following the later of the date we are deemed to be an “accelerated filer” or a “large accelerated filer,” each as defined in the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or the date we are no longer an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). Section 404 of the Sarbanes-Oxley Act requires that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluations, document our controls and perform testing of our key controls over financial reporting to allow management and our independent public accounting firm to report on the effectiveness of our internal control over financial reporting. Our testing, or the subsequent testing by our independent public accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. If we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our

stock would likely decline and we could be subject to lawsuits, sanctions or investigations by regulatory authorities, which would require additional financial and management resources.

We may encounter difficulties in the timely and accurate reporting of our financial results, which would impact our ability to provide our investors with information in a timely manner. As a result, our investors could lose confidence in our reported financial information, and our stock price could decline.

**Risks Relating to Our Initial Public Offering and Ownership of Our Common Stock**

*The market price of our common stock may be volatile or may decline steeply or suddenly regardless of our operating performance and we may not be able to meet investor or analyst expectations. You may not be able to resell your shares at or above the initial public offering price and may lose all or part of your investment.*

The initial public offering price for our common stock will be determined through negotiations between the underwriters and us, and may vary from the market price of our common stock following this offering. If you purchase shares of our common stock in this offering, you may not be able to resell those shares at or above the initial public offering price. We cannot assure you that the market price following this offering will equal or exceed prices in privately negotiated transactions of our shares that have occurred from time to time before this offering. The market price of our common stock may fluctuate or decline significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our consignor or buyer base, the level of consignor and buyer engagement, revenue or other operating results;
- variations between our actual operating results and the expectations of securities analysts, investors and the financial community;
- any forward-looking financial or operating information we may provide to the public or securities analysts, any changes in this information or our failure to meet expectations based on this information;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company or our failure to meet these estimates or the expectations of investors;
- additional shares of our common stock being sold into the market by us or our existing stockholders, or the anticipation of such sales, including if existing stockholders sell shares into the market when applicable “lock-up” period ends;
- hedging activities by market participants;
- announcements by us or our competitors of significant products or features, technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;
- changes in operating performance and stock market valuations of companies in our industry, including our competitors;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- lawsuits threatened or filed against us;
- developments in new legislation and pending lawsuits or regulatory actions, including interim or final rulings by judicial or regulatory bodies; and
- other events or factors, including those resulting from war or incidents of terrorism, or responses to these events.

In addition, extreme price and volume fluctuations in the stock markets have affected and continue to affect many online marketplace and other technology companies' stock prices. Stock prices often fluctuate in ways unrelated or disproportionate to the companies' operating performance. In the past, stockholders have filed securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and seriously harm our business.

Moreover, because of these fluctuations, comparing our operating results on a period-to-period basis may not be meaningful. You should not rely on our past results as an indication of our future performance. This variability and unpredictability could also result in our failing to meet the expectations of industry or financial analysts or investors for any period. If our revenue or operating results fall below the expectations of analysts or investors or below any forecasts we may provide to the market, or if the forecasts we provide to the market are below the expectations of analysts or investors, the price of our common stock could decline substantially. Such a stock price decline could occur even when we have met any previously publicly stated revenue or earnings forecasts that we may provide.

***An active trading market for our common stock may never develop or be sustained.***

We have applied to list our common stock on The Nasdaq Global Select Market ("Nasdaq") under the symbol "REAL." However, we cannot assure you that an active trading market for our common stock will develop on that exchange or elsewhere or, if developed, that any market will be sustained. Accordingly, we cannot assure you of the likelihood that an active trading market for our common stock will develop or be maintained, the liquidity of any trading market, your ability to sell your shares of our common stock when desired or the prices that you may obtain for your shares.

***Future sales of shares by existing stockholders could cause our stock price to decline.***

If our existing stockholders, including employees and service providers who obtain equity, sell or indicate an intention to sell, substantial amounts of our common stock in the public market after the lock-up and legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock could decline. Based on shares outstanding as of March 31, 2019, on the completion of this offering, we will have outstanding a total of 82,700,671 shares of common stock. Of these shares, only the shares of common stock sold in this offering will be freely tradable, without restriction, in the public market immediately after the offering. Each of our directors, executive officers and other holders of substantially all our outstanding equity securities are subject to lock-up agreements that restrict their ability to sell or transfer their shares for a period of 180 days after the date of this prospectus subject to certain exceptions. However, Credit Suisse Securities (USA) LLC and BofA Securities, Inc. may, in their sole discretion, waive the contractual lock-up before the lock-up agreements expire. After the lock-up agreements expire, all 82,700,671 shares outstanding as of March 31, 2019 (assuming the closing of the offering) will be eligible for sale in the public market, of which 30,711,879 shares are held by directors, executive officers and other affiliates and will be subject to volume limitations under Rule 144 of the Securities Act of 1933, as amended (the "Securities Act"), and various vesting agreements. Sales of a substantial number of such shares upon expiration of the lock-up and market stand-off agreements, the perception that such sales may occur or early release of these agreements, could cause our market price to fall or make it more difficult for you to sell your common stock at a time and price that you deem appropriate.

In addition, 9,204,328 shares of common stock were subject to outstanding stock options as of March 31, 2019 and outstanding stock options to purchase an aggregate of 1,149,975 shares of common stock were granted subsequent to March 31, 2019. These shares will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, the lock-up agreements and Rules 144 and 701 of the Securities Act. We intend to file a registration statement on Form S-8 under the Securities Act covering all the shares of common stock subject to stock options outstanding and reserved for issuance under our stock plans. That registration statement will become effective immediately on filing, and shares covered by that registration

statement will be eligible for sale in the public markets, subject to Rule 144 limitations applicable to affiliates and the lock-up agreement described above. If these additional shares are sold, or if it is perceived that they will be sold in the public market, the trading price of our common stock could decline.

***We have broad discretion in how we may use the net proceeds from this offering, and we may not use them effectively.***

The principal purposes of this offering are to create a public market for our common stock, facilitate access to the public equity markets, increase our visibility in the marketplace and obtain additional capital to support further growth in our business. In addition, 1% of the net proceeds of this offering will be used to fund The RealReal Foundation, a Delaware non-profit organization formed to engage in charitable activities. We cannot specify with any certainty the particular uses of the remaining net proceeds that we will receive from this offering. Our management will have broad discretion in applying the net proceeds we receive from this offering. We may use the net proceeds for general corporate purposes, including working capital, operating expenses and capital expenditures. We may use a portion of the net proceeds to acquire complementary businesses, products, services or technologies. However, we do not have agreements or commitments to enter into any acquisitions at this time. We may also spend or invest these proceeds in a way with which our stockholders disagree. If our management fails to use these funds effectively, our business could be seriously harmed.

***If securities or industry analysts either do not publish research about us or publish inaccurate or unfavorable research about us, our business or our market, or if they change their recommendations regarding our common stock adversely, the trading price or trading volume of our common stock could decline.***

The trading market for our common stock will be influenced in part by the research and reports that securities or industry analysts may publish about us, our business, our market or our competitors. If one or more analysts initiate research with an unfavorable rating or downgrade our common stock, provide a more favorable recommendation about our competitors or publish inaccurate or unfavorable research about our business, our common stock price would likely decline. If any analyst who may cover us were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the trading price or trading volume of our common stock to decline.

***We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.***

We are an emerging growth company and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to “emerging growth companies,” including:

- not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act;
- reduced disclosure obligations regarding executive compensation in our periodic reports and annual report on Form 10-K; and
- exemptions from the requirements of holding non-binding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved.

As a result, our stockholders may not have access to certain information that they may deem important. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if our total annual gross revenue exceeds \$1.07 billion, if we issue more than \$1.0 billion in non-convertible debt securities during any three-year period, or if we are a large accelerated filer and the

market value of our common stock held by non-affiliates exceeds \$700 million as of the end of any second quarter before that time. We cannot predict if investors will find our common stock less attractive if we choose to rely on any of the exemptions afforded emerging growth companies. If some investors find our common stock less attractive because we rely on any of these exemptions, there may be a less active trading market for our common stock and the market price of our common stock may be more volatile.

Under the JOBS Act, “emerging growth companies” can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We elected to use the extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that we (1) are no longer an emerging growth company or (2) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, these financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

***Future securities issuances could result in significant dilution to our stockholders and impair the market price of our common stock.***

Future issuances of shares of our common stock, or the perception that these sales may occur, could depress the market price of our common stock and result in dilution to existing holders of our common stock. Also, to the extent outstanding options and warrants to purchase our shares of our common stock are exercised or options or other stock-based awards are issued or become vested, there will be further dilution. The amount of dilution could be substantial depending upon the size of the issuances or exercises. Furthermore, we may issue additional equity securities that could have rights senior to those of our common stock. As a result, purchasers of our common stock in this offering bear the risk that future issuances of debt or equity securities may reduce the value of our common stock and further dilute their ownership interest.

***Operating as a public company will require us to incur substantial costs and will require substantial management attention.***

As a public company, we will incur substantial legal, accounting and other expenses that we did not incur as a private company. For example, we will be subject to the reporting requirements of the Exchange Act, the applicable requirements of the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations of the SEC. The rules and regulations of Nasdaq will also apply to us following this offering. As part of the new requirements, we will need to establish and maintain effective disclosure and financial controls and make changes to our corporate governance practices. We expect that compliance with these requirements will increase our legal and financial compliance costs and will make some activities more time-consuming.

We expect that our management and other personnel will need to divert attention from other business matters to devote substantial time to the reporting and other requirements of being a public company. In particular, we expect to incur significant expense and devote substantial management effort to complying with the requirements of Section 404 of the Sarbanes-Oxley Act. We will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge.

We also expect that being a public company and complying with applicable rules and regulations will make it more expensive for us to obtain director and officer liability insurance. Given recent developments in the market for such coverage, we expect to incur substantially higher costs to obtain and maintain the same or similar coverage. These factors could also make it more difficult for us to attract and retain qualified executive officers and members of our board of directors.



***Delaware law and provisions in our certificate of incorporation and bylaws that will be in effect on the completion of this offering could make a merger, tender offer or proxy contest difficult, thereby depressing the trading price of our common stock.***

Our certificate of incorporation and bylaws that will be in effect on the completion of this offering contain provisions that could depress the trading price of our common stock by acting to discourage, delay or prevent a change of control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions include the following:

- establish a classified board of directors so that not all members of our board of directors are elected at one time;
- permit the board of directors to establish the number of directors and fill any vacancies and newly-created directorships;
- provide that directors may only be removed for cause;
- require super-majority voting to amend some provisions in our certificate of incorporation and bylaws;
- authorize the issuance of “blank check” preferred stock that our board of directors could use to implement a stockholder rights plan;
- prohibit stockholders from calling special meetings of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws;
- restrict the forum for certain litigation against us to Delaware; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

Any provision of our certificate of incorporation or bylaws that will be in effect on the completion of this offering or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock. For information regarding these and other provisions, see section titled “Description of Capital Stock—Anti-Takeover Provisions.”

***Our certificate of incorporation will designate a state or federal court located within the State of Delaware as the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to choose the judicial forum for disputes with us or our directors, officers or employees.***

Our certificate of incorporation, which will become effective immediately prior to the completion of this offering, will provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf under Delaware law, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action arising pursuant to any provision of the Delaware General Corporation Law (“DGCL”), our certificate of incorporation or our bylaws, (4) any other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) or (5) any other action asserting an “internal corporate claim,” as defined in Section 115 of the DGCL, in all cases subject to the court having jurisdiction over indispensable parties named as defendants. These exclusive-forum provisions do not apply to claims under the Securities Act or the Exchange Act.

Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to this provision. This exclusive-forum provision may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees. If a court were to find the exclusive-forum provision in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could harm our results of operations.

#### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical fact contained in this prospectus, including statements regarding our future results of operations and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as “may,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms or other similar expressions. The forward-looking statements in this prospectus are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this prospectus and are subject to a number of risks, uncertainties and assumptions described in the section titled “Risk Factors” and elsewhere in this prospectus. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Some of the key factors that could cause actual results to differ from our expectations include:

- our future financial performance, including our expectations regarding our revenue, cost of revenue, operating expenses, and our ability to achieve and maintain future profitability;
- our ability to effectively manage or sustain our growth and to effectively expand our operations;
- our strategies, plans, objectives and goals;
- the market demand for authenticated, pre-owned luxury goods and new and pre-owned luxury goods in general and the online market for luxury goods;
- our ability to compete with existing and new competitors in existing and new markets and offerings;
- our ability to attract and retain consignors and buyers;
- our ability to increase the supply of luxury goods offered through our online marketplace;
- our ability to timely and effectively scale our operations;
- our ability to enter international markets
- our ability to optimize, operate and manage our merchandising and fulfillment facilities;
- our ability to develop and protect our brand;
- our ability to comply with laws and regulations;
- our expectations regarding outstanding litigation;
- our expectations and management of future growth;
- our expectations concerning relationships with third parties;
- economic and industry trends, projected growth or trend analysis;
- seasonal sales fluctuations;
- our ability to add capacity, capabilities and automation to our operations;

- the increased expenses associated with being a public company; and
- our anticipated uses of net proceeds from this offering.

In addition, statements such as “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this prospectus and, although we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted a thorough inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein until after we distribute this prospectus, whether as a result of any new information, future events or otherwise.

## MARKET, INDUSTRY AND OTHER DATA

This prospectus contains estimates, projections and other information concerning our industry, including market size and growth rates of the markets in which we participate, and discussion of our general expectations, market position, and market opportunity. Although we are responsible for the disclosure contained in this prospectus, this information is based on various sources, including reports and publications from the Association of Resale Professionals, Bain & Company, Inc., Cone Communications LLC, Ellen MacArthur Foundation, McKinsey & Company, Inc., Organisation for Economic Co-operation and Development, Pew Research Center and U.S. Census Bureau and other industry publications, surveys and forecasts, on assumptions that we have made that are based on such data and other similar sources and on our knowledge of the markets for our services. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates.

The reports and publications appearing in this prospectus consist of:

- The Association of Resale Professionals, Industry Statistics & Trends, August 2018.
- Bain & Company, Inc., Luxury Goods Worldwide Market Study, December 2018. Information contained in this prospectus from this report was converted from euro to U.S. dollars at an exchange rate of \$1.12991 as of the date of the release of the report, November 15, 2018.
- Cone Communications LLC, 2017 Cone Gen Z CSR Study: How to Speak Z, September 2017.
- Ellen MacArthur Foundation, A New Textiles Economy: Redesigning Fashion's Future, November 2017.
- Ellen MacArthur Foundation and the Circular Fibres Initiative, One garbage truck of textiles wasted every second: report creates vision for change, November 2017.
- Frost & Sullivan, Inc., Total Addressable Market Assessment for the Luxury Resale Market, May 2019.
- McKinsey & Company, Inc., The State of Fashion 2019, November 2018.
- McKinsey & Company, Inc., Style that's sustainable: a new fast-fashion formula, October 2016.
- Organisation for Economic Co-operation and Development, Trends in Trade in Counterfeit and Pirated Goods, March 2019.
- Organisation for Economic Co-operation and Development, Trade in fake goods is now 3.3% of world trade and rising, March 18, 2019.
- Pew Research Center, Millennials are the largest generation in the U.S. labor force, April 2018.
- U.S. Census Bureau, Millennials Outnumber Baby Boomers and Are Far More Diverse, Census Bureau Reports, June 2015.

Industry data and other third-party information have been obtained from sources believed to be reliable, but we have not independently verified any third-party information. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled "Risk Factors" and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by third parties and by us.

#### USE OF PROCEEDS

We estimate that the net proceeds from the sale of the 15,000,000 shares of common stock that we are selling in this offering will be approximately \$245.8 million, based on an assumed initial public offering price of \$18.00 per share, the midpoint of the range on the front cover of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters fully exercise their option to purchase additional common stock in this offering, we estimate that our net proceeds will be approximately \$283.5 million, based on an assumed initial public offering price of \$18.00 per share, the midpoint of the range on the front cover of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$18.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the net proceeds from this offering by \$13.8 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each 1 million share increase (decrease) in the number of shares offered by us would increase (decrease) the net proceeds from this offering by \$16.6 million, assuming no change in the assumed initial public offering price per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We do not expect that a change in the initial public offering price or the number of shares by these amounts would have a material effect on our uses of the proceeds from this offering, although it may accelerate the time when we need to seek additional capital.

The principal purposes of this offering are to create a public market for our common stock, facilitate access to the public equity markets, increase our visibility in the marketplace and obtain additional capital to support further growth in our business. We intend to use the net proceeds we receive from this offering for general corporate purposes, including working capital, operating expenses and capital expenditures. In addition, 1% of the net proceeds will be used to fund The RealReal Foundation, a Delaware non-profit organization formed to engage in charitable activities. We also intend to use a portion of the net proceeds to pay a \$0.3 million success fee to the lender under our term loan facility. We may also use a portion of the net proceeds to acquire, invest in or obtain rights to complementary technologies, products, services or businesses. There are no such transactions under consideration at this time.

Because we expect to use the net proceeds from this offering for working capital and other general corporate purposes, our management will have broad discretion over the use of the net proceeds from this offering. As of the date of this prospectus, we intend to invest the net proceeds that are not used as described above in capital-preservation investments, including short-term interest-bearing investment-grade securities, certificates of deposit or U.S. government backed securities.

**DIVIDEND POLICY**

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and future earnings, if any, to fund the development and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. Any future determination regarding the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant. Our ability to pay cash dividends on our capital stock is limited by the terms of our existing term loans and may be limited by any future debt instruments or preferred securities.

**CAPITALIZATION**

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2019:

- on an actual basis;
- on a pro forma basis, giving effect to (1) the conversion of all of the outstanding shares of our preferred stock into an aggregate of 58,363,606 shares of our common stock; (2) the conversion of the preferred stock warrants to common stock warrants and the related reclassification of the preferred stock warrant liability to additional paid-in capital; and (3) the filing and effectiveness of our certificate of incorporation which will be effective immediately prior to the completion of this offering; and
- on a pro forma as adjusted basis, giving effect to the pro forma adjustments above, our issuance and sale of 15,000,000 shares of our common stock in this offering at the assumed initial offering price of \$18.00 per share, which is the midpoint of the estimated offering price range on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us and both the 1% of net proceeds of this offering used to fund The RealReal Foundation and the \$0.3 million success fee to the lender under our term loan facility, as described in “Use of Proceeds”.

You should read this table together with the sections titled “Selected Financial and Other Data,” “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes included elsewhere in this prospectus.

	As of March 31, 2019		
	Actual	Pro Forma	Pro Forma as Adjusted <sup>(1)</sup>
	(In thousands, except share and per share data)		
Cash and cash equivalents	\$ 88,790	\$ 88,790	\$ 333,595
Total debt	\$ 7,996	\$ 7,996	\$ 7,996
Redeemable convertible preferred stock, \$0.00001 par value; 37,403,946 shares authorized; 37,403,946 shares issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted	198,308	—	—
Convertible preferred stock \$0.00001 par value; 77,781,921 shares authorized; 77,556,411 shares issued and outstanding, actual; 50,000,000 shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	169,098	—	—
Stockholders’ (deficit) equity:			
Common stock, \$0.00001 par value; 155,649,887 shares authorized; 9,337,065 shares issued and outstanding, actual; 500,000,000 shares authorized, pro forma and pro forma as adjusted; 67,700,671 shares issued and outstanding, pro forma; 82,700,671 shares issued and outstanding, pro forma as adjusted	—	1	1
Additional paid-in capital	—	368,295	614,095
Other comprehensive loss	3	3	3
Accumulated deficit	(280,982)	(280,982)	(283,690)
Total stockholders’ (deficit) equity	(280,979)	87,317	330,409
Total capitalization	\$ 94,423	\$ 95,313	\$ 338,405

(1) Each \$1.00 increase or decrease in the assumed initial public offering price of \$18.00 per share, which is the midpoint of the estimated offering price range on the cover page of this prospectus, would increase or decrease the amount of our pro forma as adjusted cash and cash equivalents, total stockholders’ equity and total capitalization by \$13.8 million, increase or decrease additional paid-in capital by \$13.9 million and decrease or increase accumulated deficit by \$0.1 million assuming that the number of shares offered by us, as set forth



on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us. An increase or decrease of 1.0 million shares in the number of shares offered by us would increase or decrease, as applicable, the amount of our pro forma as adjusted cash and cash equivalents, total stockholders' equity and total capitalization by \$16.6 million, increase or decrease additional paid-in capital by \$16.7 million and decrease or increase accumulated deficit by \$0.2 million, assuming the assumed initial public offering price remains the same, and after deducting estimated underwriting discounts and commissions payable by us.

The number of shares of common stock that will be outstanding after this offering is based on 67,700,671 shares of our common stock outstanding as of March 31, 2019 and excludes:

- 9,204,328 shares of common stock issuable upon exercise of options outstanding as of March 31, 2019, at a weighted-average exercise price of \$3.32 per share under our 2011 Equity Incentive Plan ("2011 Plan");
- 1,149,975 shares issuable upon exercise of options outstanding granted after March 31, 2019, at a weighted-average exercise price of \$11.64 per share under our 2011 Plan;
- 5,742 shares of common stock issuable upon exercise of a common stock warrant outstanding as of March 31, 2019 with an exercise price of \$3.48 per share;
- 103,563 shares of common stock issuable upon conversion of shares of preferred stock issuable pursuant to warrants outstanding as of March 31, 2019 at a weighted average exercise price of \$3.34 per share on a common stock equivalent basis;
- 805,975 shares of common stock reserved for future issuance under our 2011 Plan, as of March 31, 2019, which shares will be added to the shares reserved for future issuance under our 2019 Equity Incentive Plan ("2019 Plan");
- 8,000,000 shares of common stock initially reserved for future issuance under our 2019 Equity Incentive Plan which became effective on the business day immediately prior to the effectiveness of the registration statement of which this prospectus forms a part; and
- 1,750,000 shares of common stock initially reserved for issuance under our 2019 Employee Stock Purchase Plan ("ESPP"), which became effective on the business day immediately prior to the effectiveness of the registration statement of which this prospectus forms a part.

**DILUTION**

If you invest in our common stock in this offering, your interest will be diluted to the extent of the difference between the initial public offering price per share of common stock and the pro forma as adjusted net tangible book value per share immediately after this offering.

Our pro forma net tangible book value as of March 31, 2019 was \$85.6 million, or \$1.26 per share. Pro forma net tangible book value per share represents the amount of our total tangible assets less our total liabilities, divided by the number of our shares of common stock outstanding as of March 31, 2019, after giving effect to the conversion of all of our preferred stock into shares of common stock immediately prior to the completion of this offering and the conversion of the preferred stock warrants to common stock warrants and the related reclassification of the preferred stock warranty liability to additional paid-in capital. After giving effect to the sale by us of 15,000,000 shares of common stock in this offering at an assumed initial public offering price of \$18.00 per share, the midpoint of the estimated offering price range on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions, estimated offering expenses payable by us, the 1% of the net proceeds of this offering used to fund The RealReal Foundation and a \$0.3 million success fee to the lender under our term loan facility payable upon completion of this offering, as described in the section titled “Use of Proceeds,” our pro forma as adjusted net tangible book value as of March 31, 2019 would have been \$330.4 million, or \$4.00 per share. This amount represents an immediate increase in pro forma as adjusted net tangible book value of \$2.74 per share to our existing stockholders and an immediate dilution in pro forma as adjusted net tangible book value of \$14.00 per share to new investors purchasing common stock in this offering. We determine dilution by subtracting the pro forma as adjusted net tangible book value per share after this offering from the amount of cash that a new investor paid for a share of common stock. The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share	\$18.00
Pro forma net tangible book value per share as of March 31, 2019	\$1.26
Increase in pro forma net tangible book value per share attributable to this offering per share to existing investors	<u>2.74</u>
Pro forma as adjusted net tangible book value per share after this offering	4.00
Dilution per share to new investors purchasing shares in this offering	<u>\$14.00</u>

The dilution information discussed above is illustrative only and may change based on the actual initial public offering price and other terms of this offering. A \$1.00 increase (decrease) in the assumed initial public offering price of \$18.00 per share of common stock, the midpoint of the estimated offering price range on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value per share after this offering by \$0.17 per share and increase (decrease) the dilution to new investors by \$0.83 per share, in each case assuming the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of 1.0 million shares in the number of shares of common stock offered by us would increase (decrease) our pro forma as adjusted net tangible book value by approximately \$0.15 per share and decrease (increase) the dilution to new investors by approximately \$0.15 per share, in each case assuming the assumed initial public offering price of \$18.00 per share of common stock remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise their option to purchase additional shares of common stock in full, the pro forma net tangible book value per share, as adjusted to give effect to this offering, would be \$4.33 per share, and the dilution in pro forma net tangible book value per share to new investors in this offering would be \$13.67 per share.

The following table summarizes, as of March 31, 2019, on a pro forma as adjusted basis as described above, the number of shares of our common stock, the total consideration and the average price per share (1) paid to us by

existing stockholders and (2) to be paid by new investors acquiring our common stock in this offering at an assumed initial public offering price of \$18.00 per share, the midpoint of the estimated offering price range on the cover page of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing investors	67,700,671	81.9%	\$360,512,423	57.2%	\$ 5.33
New investors	15,000,000	18.1	270,000,000	42.8	18.00
<b>Total</b>	<b>82,700,671</b>	<b>100%</b>	<b>\$630,512,423</b>	<b>100%</b>	

The table above assumed no exercise of the underwriters' option to purchase 2,250,000 additional shares in this offering. If the underwriters exercise in full their option to purchase additional shares from us, the number of shares held by new investors will increase to 17,250,000 shares, or 20.3% of the total number of shares outstanding following the completion of this offering.

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$18.00 per share, the midpoint of the estimated offering price range on the cover page of this prospectus, would increase (decrease) the total consideration paid by new investors and total consideration paid by all stockholders by approximately \$13.8 million, assuming that the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions.

The number of shares of common stock that will be outstanding after this offering is based on 67,700,671 shares of our common stock outstanding as of March 31, 2019 and excludes:

- 9,204,328 shares of common stock issuable upon exercise of options outstanding as of March 31, 2019, at a weighted-average exercise price of \$3.32 per share under the 2011 Plan;
- 1,149,275 shares issuable upon exercise of options outstanding granted after March 31, 2019, at a weighted-average exercise price of \$11.64 per share under our 2011 Plan;
- 5,742 shares of common stock issuable upon exercise of a common stock warrant outstanding as of March 31, 2019 with an exercise price of \$3.48 per share;
- 103,563 shares of common stock issuable upon conversion of shares of preferred stock issuable pursuant to warrants outstanding as of March 31, 2019 at a weighted average exercise price of \$3.34 per share on a common stock equivalent basis;
- 805,975 shares of common stock reserved for future issuance under our 2011 Plan, as of March 31, 2019, which shares will be added to the shares reserved for future issuance under our 2019 Equity Incentive Plan ("2019 Plan");
- 8,000,000 shares of common stock initially reserved for future issuance under our 2019 Equity Incentive Plan which became effective on the business day immediately prior to the effectiveness of the registration statement of which this prospectus forms a part; and
- 1,750,000 shares of common stock initially reserved for issuance under the ESPP, which became effective on the business day immediately prior to the effectiveness of the registration statement of which this prospectus forms a part.

Our 2019 Equity Incentive Plan provides that the number of available shares will increase on an annual basis, beginning with the fiscal year ending December 31, 2020 and continuing until, and including, the fiscal year ending December 31, 2029. The annual increase will be equal to the lesser of 5% of the number of shares of common stock outstanding on the first day of such fiscal year, 8,000,000 shares of our common stock or such amount as determined by our board of directors. The 2019 Equity Incentive Plan also provides that the available shares under the plan will be increased for any shares of our common stock granted pursuant to awards under the

2019 Equity Incentive Plan or the 2011 Equity Incentive Plan that expire, are tendered to or withheld by us for payment of an exercise price or for satisfying tax withholding obligations or are forfeited or otherwise repurchased by us, as more fully described in the section titled “Executive Compensation—Equity Compensation Plans.”

In addition, the ESPP provides that the number of available shares will automatically increase on the first trading day in January of each calendar year, commencing January 2020, by an amount equal to the lesser of 1% of the shares of our common stock issued and outstanding on December 31 of the immediately preceding calendar year, 1,750,000 shares of our common stock or such amount as is determined by our board of directors, as more fully described in the section titled “Executive Compensation—Equity Compensation Plans.”

To the extent that any outstanding options are exercised or new options are issued under our stock-based compensation plans, or we issue additional shares of common stock in the future, there will be further dilution to investors participating in this offering.

**SELECTED FINANCIAL AND OTHER DATA**

The selected statement of operations data for the years 2017 and 2018 and the selected balance sheet data as of December 31, 2017 and 2018 are derived from our audited financial statements included elsewhere in this prospectus. The selected statement of operations data for the three months ended March 31, 2018 and 2019 and the balance sheet data as of March 31, 2019 are derived from our unaudited financial statements appearing elsewhere in this prospectus. We have prepared the unaudited financial statements on the same basis as the audited financial statements and have included all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of the financial information set forth in those statements. Our historical results are not necessarily indicative of the results to be expected in any future period. You should read the following selected financial and other data in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes appearing elsewhere in this prospectus.

**Statement of Operations Data**

	Year Ended December 31,		Three Months Ended	
	2017	2018	2018	2019
	(In thousands, except share and per share data)			
Revenue:				
Consignment and service revenue	\$ 121,210	\$ 183,991	\$ 40,999	\$ 56,236
Direct revenue	12,661	23,385	5,460	13,019
Total revenue	133,871	207,376	46,459	69,255
Cost of revenue:				
Cost of consignment and service revenue	35,657	50,855	11,577	15,946
Cost of direct revenue	10,572	19,603	4,277	10,927
Total cost of revenue	46,229	70,458	15,854	26,873
Gross profit	87,642	136,918	30,605	42,382
Operating expenses(1):				
Marketing	36,711	42,165	9,634	11,733
Operations and technology	58,680	104,929	21,332	31,544
Selling, general and administrative	44,035	63,728	13,524	22,319
Total operating expenses	139,426	210,822	44,490	65,596
Loss from operations	(51,784)	(73,904)	(13,885)	(23,214)
Interest income	355	1,046	84	405
Interest expense	(762)	(1,152)	(197)	(131)
Other expense, net	(60)	(1,656)	(108)	(282)
Loss before provision for income taxes	(52,251)	(75,666)	(14,106)	(23,222)
Provision for income taxes	57	99	—	—
Net loss	\$ (52,308)	\$ (75,765)	\$ (14,106)	\$ (23,222)
Accretion of redeemable convertible preferred stock to redemption value	(2,610)	(8,922)	(1,109)	(3,355)
Net loss attributable to common stockholders	\$ (54,918)	\$ (84,687)	\$ (15,215)	\$ (26,577)
Net loss per share attributable to common stockholders, basic and diluted(2)	\$ (6.74)	\$ (10.12)	\$ (1.83)	\$ (3.05)
Shares used to compute net loss per share attributable to common stockholders, basic and diluted(2)	8,145,787	8,365,344	8,299,688	8,705,664
Pro forma net loss per share attributable to common stockholders, basic and diluted(2)		\$ (1.34)		\$ (0.37)
Shares used to compute pro forma net loss per share attributable to common stockholders, basic and diluted(2)		56,402,048		62,532,173

(1) Operating expenses include stock-based compensation expense as follows:

	Year Ended December 31,		Three Months Ended	
	2017	2018	March 31,	
			2018	2019
	(In thousands)			
Marketing	\$ 129	\$ 164	\$ 34	\$ 68
Operations and technology	625	1,160	273	490
Selling, general and administrative	1,099	1,587	238	551
Total	\$ 1,853	\$ 2,911	\$ 545	\$ 1,109

(2) See Notes 2 and 13 to our financial statements for an explanation of the calculations of our basic and diluted net loss per share attributable to common stockholders, pro forma net loss per share attributable to common stockholders and the weighted-average number of shares used in the computation of the per share amounts.

**Balance Sheet Data**

	As of December 31,		As of
	2017	2018	March 31,
			2019
	(In thousands)		
Cash and cash equivalents	\$ 16,486	\$ 34,393	\$ 88,790
Short-term investments	12,421	27,131	14,246
Total assets	75,965	135,417	187,113
Total liabilities	79,594	98,907	100,686
Redeemable convertible preferred stock	50,367	151,381	198,308
Convertible preferred stock	122,990	142,819	169,098
Accumulated deficit	(181,571)	(257,665)	(280,982)
Total stockholders' deficit	(176,986)	(257,690)	(280,979)

**Non-GAAP Financial Measures**

Adjusted EBITDA is a key performance measure that our management uses to assess our operating performance. Because Adjusted EBITDA facilitates internal comparisons of our historical operating performance on a more consistent basis, we use this measure as an overall assessment of our performance, to evaluate the effectiveness of our business strategies and for business planning purposes. Adjusted EBITDA may not be comparable to similarly titled metrics of other companies.

We calculate Adjusted EBITDA as net loss before net interest expense, income tax provision and depreciation and amortization, further adjusted to exclude stock-based compensation and certain one-time expenses. Adjusted EBITDA has certain limitations as the measure excludes the impact of certain expenses that are included in our statements of operations that are necessary to run our business and should not be considered as an alternative to net loss or any other measure of financial performance calculated and presented in accordance with GAAP.

The following table presents a reconciliation of Adjusted EBITDA from net loss for 2017 and 2018 and the three months ended March 31, 2018 and 2019:

	<u>Year Ended December 31,</u>		<u>Three Months Ended March 31,</u>	
	2017	2018	2018	2019
(In thousands)				
<b>Adjusted EBITDA Reconciliation:</b>				
Net loss	\$ (52,308)	\$ (75,765)	\$ (14,106)	\$ (23,222)
Add (deduct):				
Depreciation and amortization	5,634	9,290	1,998	2,808
Stock-based compensation	1,853	2,911	545	1,109
Compensation expense related to stock sales by current and former employees	—	847	—	819
Vendor services settlement	—	2,000	—	—
Interest income	(355)	(1,046)	(84)	(405)
Interest expense	762	1,152	197	131
Other expense, net	60	1,656	108	282
Provision for income taxes	57	99	—	—
Adjusted EBITDA	<u>\$ (44,297)</u>	<u>\$ (58,856)</u>	<u>\$ (11,342)</u>	<u>\$ (18,478)</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion of our financial condition and results of operations should be read together with our financial statements and related notes and other financial information included in this prospectus. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in the section titled "Risk Factors." Our historical results are not necessarily indicative of the results that may be expected for any period in the future, and our interim results are not necessarily indicative of the results we expect for the full calendar year or any other period.*

### Overview

We are the world's largest online marketplace for authenticated, consigned luxury goods. We are revolutionizing luxury resale by providing an end-to-end service that unlocks supply from consignors and creates a trusted, curated online marketplace for buyers globally. Over the past eight years, we have cultivated a loyal and engaged consignor and buyer base through continuous investment in our technology platform, logistics infrastructure and people. We aggregate and curate unique, pre-owned luxury supply that is exclusive to The RealReal across multiple categories, including women's, men's, kids', jewelry and watches, and home and art. We have built a vibrant online marketplace that we believe expands the overall luxury market, promotes the recirculation of luxury goods and contributes to a more sustainable world.

We have transformed the luxury consignment experience by removing the friction and pain points inherent in the traditional consignment model. For consignors, we provide White Glove in-home consultation and pickup, drop off at one of our eleven LCOs, three of which are located in our retail stores, or complimentary shipping directly to our merchandising and fulfillment facilities. We leverage our proprietary transactional database and market insights from approximately 9.4 million item sales since inception to deliver optimal pricing and rapid sell-through. For buyers, we offer highly coveted and exclusive authenticated pre-owned luxury goods at attractive values, as well as a high-quality experience befitting the products we offer. Our online marketplace is powered by our proprietary technology platform, including consumer facing applications and purpose-built software that supports our complex, single-SKU inventory model and merchandising operations.

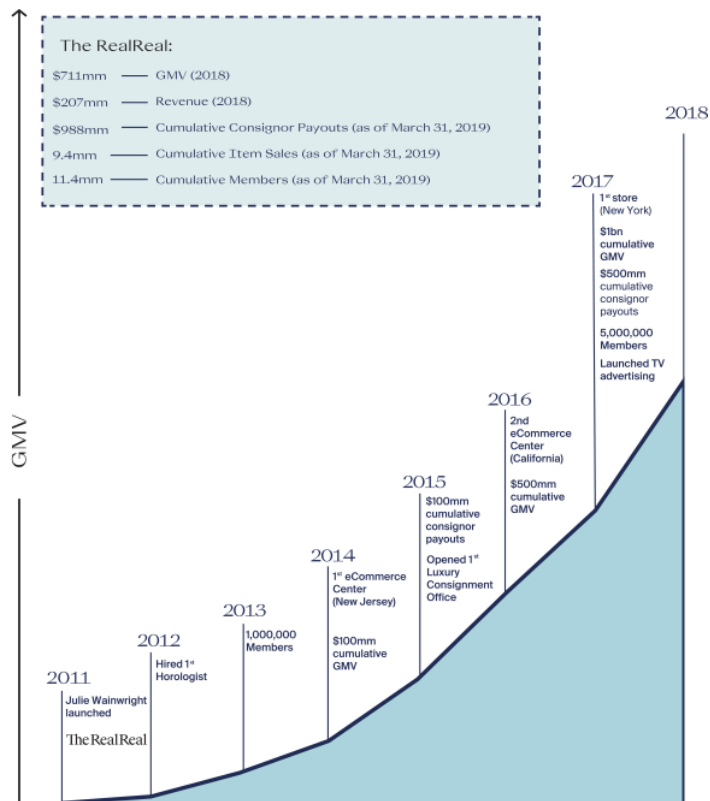
The substantial majority of our revenue is generated by consignment sales. We also generate revenue from other services and direct sales.

- **Consignment and service revenue.** When we sell goods through our online marketplace on behalf of our consignors, we retain a percentage of the proceeds, which we refer to as our take rate. Take rates vary depending on the total value of goods sold through our online marketplace on behalf of a particular consignor as well as the category and price point of the items. In 2018, and the three months ended March 31, 2019, our overall take rate on consigned goods was 35.5% and 35.3% respectively. Additionally, we earn revenue from shipping fees and from our subscription program, *First Look*, in which we offer buyers early access to the items we sell in exchange for a monthly fee.
- **Direct revenue.** In certain cases, such as when we accept returns from buyers after we have already remitted sale proceeds to the consignor, we take ownership of goods and retain 100% of the proceeds when the goods subsequently resell through our online marketplace.

We generate revenue from orders processed through our website, mobile app and three retail stores located in New York and Los Angeles. Our omni-channel experience enables buyers to purchase anytime and anywhere. We have a global base of approximately 11.4 million members as of March 31, 2019. We count as a member any user who has registered an email address on our website or downloaded our mobile app, thereby agreeing to our terms of service.



The following graph illustrates key developments in the evolution of our business over the past eight years.



Through March 31, 2019, we have cumulatively paid \$987.7 million in commissions to our consignors. In 2017 and 2018, our GMV was \$492.2 million and \$710.8 million, respectively, representing an annual growth rate of 44%. In 2017 and 2018, our total revenue was \$133.9 million and \$207.4 million, respectively, representing an annual growth rate of 55%. In 2017 and 2018, our gross profit was \$87.6 million and \$136.9 million, respectively, representing an annual growth rate of 56%.

**Factors Affecting Our Performance**

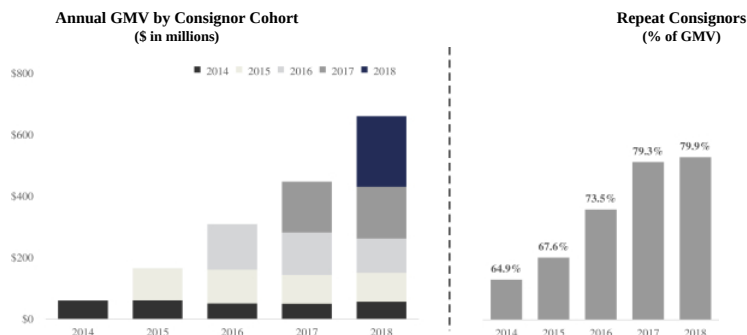
To analyze our business performance, determine financial forecasts and help develop long-term strategic plans, we focus on the factors described below. While each of these factors presents significant opportunity for our business, collectively, they also pose important challenges that we must successfully address in order to sustain our growth, improve our operating results and achieve and maintain our profitability.

**Supply and Demand**

*Consignor growth and retention.* We grow our sales by increasing the supply of luxury goods offered through our consignment online marketplace. In 2018, consignors consigned approximately 2.6 million items on our online marketplace, a 52% increase over 2017. In 2017 and 2018, approximately 60% and 80% of the products on our online marketplace sold within 30 days and 90 days. In addition to sales velocity, we measure the ratio of demand versus supply in a given period, which we refer to as our online marketplace sell-through ratio. Sell-through ratio is defined as GMV in the period divided by the aggregate initial value of items added to our online marketplace in the period. In 2017 and 2018, our marketplace sell-through ratios were 93% and 96%, respectively.

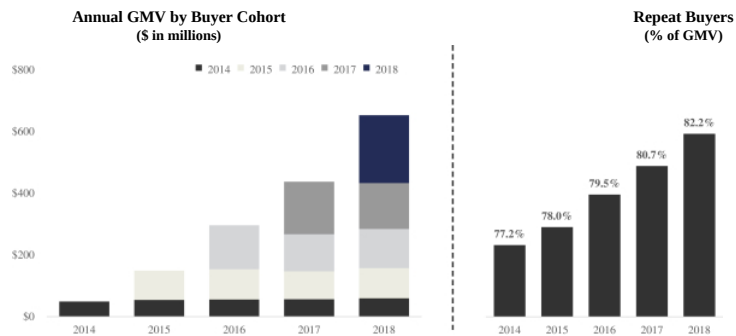
We grow our supply both by attracting new consignors and by creating lasting engagement with existing consignors. We generate leads for new consignors principally through our advertising activity. We convert those leads into active consignors through the activities of our sales professionals, who are trained and incentivized to identify and source high-quality, coveted luxury goods from consignors. Our sales professionals form a consultative relationship with consignors and deliver a high-quality, rapid consigning experience. Our existing relationships with consignors allow us to unlock valuable supply across multiple categories within the home, including women’s, men’s, kids’, jewelry and watches, and home and art. We leverage our proprietary transactional database and market insights based on approximately 9.4 million item sales since inception to deliver consignors optimal pricing and rapid sell-through. If we fail to continue to attract consignors to our online marketplace or grow available supply over time, our operating results would be adversely affected.

Our growth has been driven in significant part by repeat sales from existing consignors concurrent with growth of our consignor base. The graph on the left shows trends in annual GMV for consignor cohorts for each year beginning in 2014. Each cohort represents all consignors that first sold across our online marketplace in the designated year and the aggregate GMV sold by such cohort for the initial year and each year thereafter. The graph on the right shows the percentage of GMV in each year from our repeat consignors. GMV from repeat consignors reflects sales made after their first consignment. As shown below, consignors in historical cohorts continue to drive the significant majority of sales on our platform.



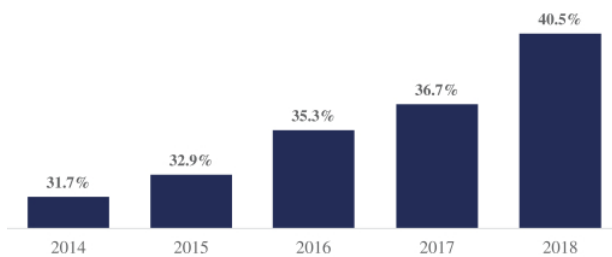
*Buyer growth and retention.* We grow our business by attracting and retaining buyers. We attract and retain buyers by offering highly coveted, authenticated, pre-owned luxury goods at attractive values and delivering a high-quality, luxury experience. We measure our success in attracting and retaining buyers by tracking buyer satisfaction and purchasing activity over time. We have experienced high buyer satisfaction, as evidenced by our net promoter score of 74 as of February 2019. If we fail to continue to attract and retain our buyer base to our online marketplace, our operating results would be adversely affected.

The graph on the left shows trends in purchasing activity for buyer cohorts for each year beginning in 2014. Each cohort represents all buyers that first purchased across our online marketplace in the designated year and the aggregate GMV purchased by such cohort for the initial year and each year thereafter. As illustrated in the graph below, buyer cohorts maintain approximately the same level of spend in each year following their initial year of purchase, as buyers with recurring purchase habits increase their total spend on our online marketplace over time. The graph on the right shows the percentage of GMV in each year from our repeat buyers. GMV from repeat buyers reflects purchases made after their initial purchase month.



We believe there is substantial opportunity to grow our business by having buyers also become consignors and vice versa. As of March 31, 2019, 13% of our buyers had become consignors and 53% of our consignors had become buyers. The graph below shows the percentage of GMV in each year from buyers who have participated as both buyers and consignors on our online marketplace. GMV attributable to consigning activity of such buyers is not included.

**Buyers Who are Also Consignors  
(% of GMV)**



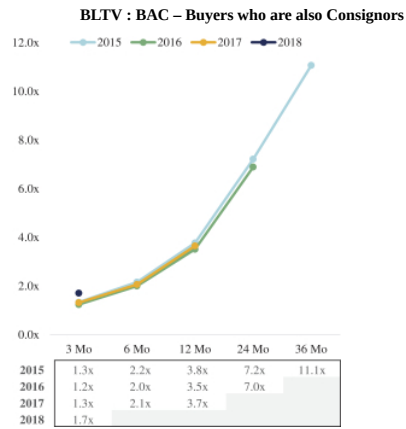
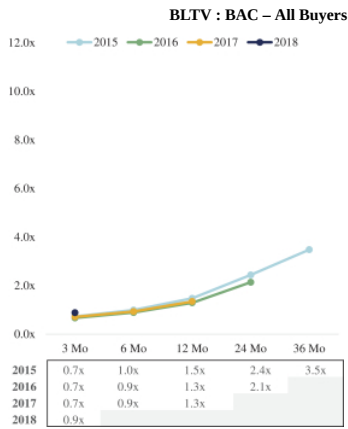
*Buyer acquisition cost.* Our financial performance depends on effectively managing the expenses we incur to attract and retain buyers. We closely monitor our efficiency in acquiring new buyers. Our buyer acquisition cost (“BAC”) for a given period is comprised of our total advertising spend, which is principally the cost of television, digital and direct mail advertising, divided by the number of buyers acquired in that period. We adjust or re-allocate our advertising in real-time to optimize our spend across channels, buyer demographics and geographies to improve our return on advertising spend. Our BAC has declined over time as we have achieved greater efficiency from our marketing spend.

**Buyer Acquisition Cost**



We also evaluate the success of our buyer acquisition activity by comparing the lifetime value of buyers (“BLTV”) attracted in a given period to the aggregate BAC in that same period. We calculate BLTV as the cumulative gross profit attributable to purchases by such buyers. The BLTV to BAC ratio in excess of 1.0 for all cohorts presented after 12 months reflects that each cohort has achieved payback at least equal to BAC within 1 year after acquisition. We have observed that BLTV for buyers who are also consignors is significantly higher than for buyers who have not also consigned.

The following graphs depict the BLTV to BAC ratio by annual cohort since 2015 in the aggregate and for buyers who are also consignors, respectively. BLTV in the graph on the right includes only gross profit attributable to transactions in which the members participated as buyers and does not include gross profit attributable to transactions in which the member participated as a consignor.



**Scaling operations and technology.** To support the future growth of our business, we are expanding our capacity through investments in physical infrastructure, talent and technology. We principally conduct our intake, authentication, merchandising and fulfillment operations in our four leased merchandising and fulfillment facilities located in California and New Jersey comprising an aggregate of approximately 1 million square feet of space. We secured leases on more than half of this space in 2018 and are in the process of bringing this space online. The market for real estate to support operations centers such as ours is becoming increasingly competitive, and we will need to continue to secure and efficiently bring online additional capacity to support future growth. The opening of our retail stores in New York in late 2017 and Los Angeles in mid-2018 significantly contributed to the increase in operations and technology expense in 2018. We opened a second retail store in New York in May 2019 and we intend to open additional retail stores in the future. In addition to scaling our physical infrastructure, growing our single-SKU business operations requires that we attract, train and retain highly-skilled personnel for purposes of authentication, copywriting, merchandising, pricing and fulfilling orders. We are also investing substantially in technology to automate our operations and support growth. While we expect our operations and technology development expenses to increase as we continue to grow, we expect such expenses to decrease as a percentage of total revenue over the longer-term.

**Seasonality.** We have observed trends in seasonality of supply and demand in our business that we believe will continue. Specifically, our supply increases in the third and fourth quarters, and our demand increases in the fourth quarter. As a result of this seasonality, we typically see stronger AOV and more rapid sell-through in the fourth quarter. We also incur higher operating expenses in the last four months of the year as we increase advertising spend to attract consignors and buyers and increase headcount in sales and operations to handle the higher volumes.

### Key Financial and Operating Metrics

The key operating and financial metrics that we use to assess the performance of our business are set forth below for 2017, 2018 and the three months ended March 31, 2018 and 2019.

	Year Ended December 31,		Three Months Ended March 31,	
	2017	2018	2018	2019
	(In thousands, except AOV and percentages)			
GMV	\$ 492,205	\$ 710,750	\$ 158,378	\$ 224,116
NMV	\$ 349,229	\$ 506,589	\$ 113,347	\$ 160,538
Number of orders	1,123	1,595	356	498
Take rate	33.7%	35.5%	35.1%	35.3%
Active buyers	291	416	326	456
AOV	\$ 438	\$ 446	\$ 445	\$ 450
Adjusted EBITDA	\$ (44,297)	\$ (58,856)	\$ (11,342)	\$ (18,478)

#### GMV

GMV represents the total amount paid for goods across our online marketplace in a given period. We do not reduce GMV to reflect product returns or order cancellations, which totaled 29.0%, 28.7% and 25.8% of GMV in 2017, 2018 and the three months ended March 31, 2019, respectively. GMV includes amounts paid for both consigned goods and our inventory net of platform-wide discounts and excludes the effect of direct buyer incentives, shipping fees and sales tax. Buyer incentives consist of coupons or promotions that offer credits in connection with purchases on our platform. We believe this is the primary measure of the scale and growth of our online marketplace and the key indicator of the health of our consignor ecosystem. We monitor trends in GMV to inform budgeting and operational decisions to support and promote growth in our business and to monitor our success in adapting our business to meet the needs of our consignors and buyers. While GMV is the primary driver of our revenue, it is not a proxy for revenue or revenue growth.

#### NMV

NMV, or net merchandise value, represents GMV less product returns and order cancellations and directed buyer incentives. NMV includes amounts paid for both consigned goods and our inventory. We believe NMV is a useful supplemental measure of the scale and growth of our online marketplace as it is the basis for calculating consignor commissions and is therefore an important indicator of the health of our consignor ecosystem for investors. Like GMV, NMV is not a proxy for revenue or revenue growth.

#### Number of Orders

Number of orders means the total number of orders placed across our online marketplace in a given period. We do not reduce number of orders to reflect product returns or order cancellations.

#### Take Rate

Take rate is a key driver of our revenue and provides comparability to other marketplaces. The numerator used to calculate our take rate is equal to GAAP consignment and service revenue, excluding certain buyer incentives and shipping and subscription service revenue. The denominator is equal to the numerator plus consignor commissions. We exclude direct revenue from our calculation of take rate because direct revenue represents the sale of inventory owned by us, which costs are included in cost of direct revenue. See the subsection titled “—Components of our Operating Results—Revenue” for further discussion of consignment and service revenue and direct revenue. Our take rate reflects the high level of service that we provide to our consignors across multiple touch points and the consistently high velocity of sales for their goods. Our take rate structure is a tiered commission structure for consignors, where the more they sell the higher percent commission they earn. Consignors start at a 55% commission (which equals a 45% take rate for us) and can earn up to a 70% commission. This tiered structure applies unless it is overridden by a commission exception.

Commission exceptions are used to incentivize our sales team, optimize supply and drive take rate changes. Examples of current commission exceptions include a flat 40% commission on all items under \$145, and an 85% commission on watches over \$2,500. Management assesses changes in take rates by monitoring the volume of GMV and take rate across each discrete commission grouping, encompassing commission tiers and exceptions. In 2018 and the three months ended March 31, 2019, take rate increased due to higher take rates for items under \$200, partially offset by lower take rates for certain products, such as watches over \$2,500, handbags over \$5,000 and sneakers over \$500. The 2018 and three months ended March 31, 2019 take rate changes enabled us to optimize our unit economics for items under \$200 while driving supply of certain higher priced products.

**Active Buyers**

Active buyers includes buyers who purchased goods through our online marketplace during the 12 months ended on the last day of the period presented, irrespective of returns or cancellations. We believe this metric reflects scale, brand awareness, buyer acquisition and engagement.

**Average Order Value (“AOV”)**

Average order value (“AOV”) means the average value of all orders placed across our online marketplace, excluding shipping fees and sales taxes. Our focus on luxury goods across multiple categories drives a consistently high AOV. Our AOV reflects both the average price of items sold as well as the number of items per order. Our high AOV is a key driver of our operating leverage.

**Adjusted EBITDA**

Adjusted EBITDA means net loss before net interest expense, income tax provision and depreciation and amortization, further adjusted to exclude stock-based compensation and certain one-time expenses. Adjusted EBITDA provides a basis for comparison of our business operations between current, past and future periods by excluding items that we do not believe are indicative of our core operating performance. Adjusted EBITDA is a non-GAAP measure. Please see the section titled “Selected Financial and Other Data—Non-GAAP Financial Measures” for information regarding our use of Adjusted EBITDA and its reconciliation to net loss.

**Components of our Operating Results**

**Revenue**

Our revenue is comprised of consignment and service revenue and direct revenue.

- *Consignment and service revenue.* We generate the substantial majority of our revenue from the sale of pre-owned luxury goods through our online marketplace on behalf of consignors. For consignment sales, we retain a percentage of the proceeds received, which we refer to as our take rate. We recognize consignment revenue, net of allowances for product returns, order cancellations and certain buyer incentives. Additionally, we generate revenue from shipping fees we charge to buyers. We also generate service revenue from subscription fees paid by buyers for early access to products, but to date our subscription revenue has not been material.
- *Direct revenue.* We generate direct revenue from the sale of items that we own, which we refer to as our inventory. We generally acquire inventory when we accept returns from buyers after we have already remitted sale proceeds to the consignor. As such, growth in direct sales is generally a byproduct of growth in our consignment business. We recognize direct revenue based on the gross purchase price paid by buyers, net of allowances for product returns and order cancellations and certain incentives.

**Cost of Revenue**

Cost of revenue consists of shipping costs, credit card fees, packaging, customer service and website hosting services. Cost of direct revenue also includes the cost of our inventory sold through our online marketplace.

**Marketing**

Marketing expense comprises the cost of acquiring new consignors and buyers, including the cost of television, digital and direct mail advertising. Marketing expense also includes personnel-related costs for employees engaged in these activities. We intend to increase marketing spend as we invest to drive the growth of our business. While these expenses may vary from period to period, we expect these expenses to decrease as a percentage of revenue over the longer term.

**Operations and Technology**

Operations and technology expense principally includes personnel-related costs for employees involved with the authentication, merchandising and fulfillment of goods sold through our online marketplace, as well as our general information technology expense. Operations and technology expense also includes allocated facility and overhead costs, costs related to our retail stores, facility supplies and depreciation of hardware and equipment, as well as research and development expense for technology associated with managing and improving our operations. We capitalize a portion of our proprietary software and technology development costs. As such, operations and technology expense also includes amortization of capitalized technology development costs. We expect operations and technology expense to increase in future periods to support our growth, including bringing on additional merchandising and fulfillment facilities and continuing to invest in automation and other technology improvements to support and drive efficiency in our operations. These expenses may vary from period to period as a percentage of revenue, depending primarily upon when we choose to make more significant investments. We expect these expenses to decrease as a percentage of revenue over the longer term.

**Selling, General and Administrative**

Selling, general and administrative expense is principally comprised of personnel-related costs for our sales professionals and employees involved in finance and administration. Selling, general and administrative expense also includes allocated facilities and overhead costs and professional services, including accounting and legal advisors. We expect to increase selling, general and administrative expense as we grow our infrastructure to support operating as a public company and the overall growth in our business. While these expenses may vary from period to period as a percentage of revenue, we expect them to decrease as a percentage of revenue over the longer term.

**Income Tax Provision**

Our provision for income taxes consists primarily of state minimum taxes in the United States. We have a full valuation allowance for our net deferred tax assets primarily consisting of net operating loss carryforwards, accruals and reserves. We expect to maintain this full valuation allowance for the foreseeable future.



**Results of Operations**

The results of operations presented below should be reviewed in conjunction with the financial statements and notes included elsewhere in the prospectus. The following tables set forth our results of operations and such data as a percentage of revenue for the periods presented:

	Year Ended December 31,		Three Months Ended March 31,	
	2017	2018	2018	2019
	(In thousands)			
<b>Revenue:</b>				
Consignment and service revenue	\$121,210	\$183,991	\$ 40,999	\$ 56,236
Direct revenue	12,661	23,385	5,460	13,019
Total revenue	<u>133,871</u>	<u>207,376</u>	<u>46,459</u>	<u>69,255</u>
<b>Cost of revenue:</b>				
Cost of consignment and service revenue	35,657	50,855	11,577	15,946
Cost of direct revenue	10,572	19,603	4,277	10,927
Total cost of revenue	<u>46,229</u>	<u>70,458</u>	<u>15,854</u>	<u>26,873</u>
Gross profit	<u>87,642</u>	<u>136,918</u>	<u>30,605</u>	<u>42,382</u>
<b>Operating expenses:</b>				
Marketing	36,711	42,165	9,634	11,733
Operations and technology	58,680	104,929	21,332	31,544
Selling, general and administrative	44,035	63,728	13,524	22,319
Total operating expenses	<u>139,426</u>	<u>210,822</u>	<u>44,490</u>	<u>65,596</u>
Loss from operations	<u>(51,784)</u>	<u>(73,904)</u>	<u>(13,885)</u>	<u>(23,214)</u>
Interest income	355	1,046	84	405
Interest expense	(762)	(1,152)	(197)	(131)
Other expense, net	(60)	(1,656)	(108)	(282)
Loss before provision for income taxes	<u>(52,251)</u>	<u>(75,666)</u>	<u>(14,106)</u>	<u>(23,222)</u>
Provision for income taxes	57	99	—	—
Net loss	<u>\$ (52,308)</u>	<u>\$ (75,765)</u>	<u>\$ (14,106)</u>	<u>\$ (23,222)</u>

	Year Ended December 31,		Three Months Ended March 31,	
	2017	2018	2018	2019
<b>Revenue:</b>				
Consignment and service revenue	91%	89%	88%	81%
Direct revenue	9	11	12	19
Total revenue	100	100	100	100
<b>Cost of Revenue:</b>				
Cost of consignment and service revenue	27	25	25	23
Cost of direct revenue	8	9	9	16
Total cost of revenue	35	34	34	39
Gross profit	65	66	66	61
<b>Operating expenses:</b>				
Marketing	27	20	21	17
Operations and technology	44	51	46	46
Selling, general and administrative	33	31	29	32
Total operating expenses	104	102	96	95
Loss from operations	(39)	(36)	(30)	(34)
Interest income	—	1	—	—
Interest expense	(1)	(1)	—	—
Other expense, net	—	(1)	—	—
Loss before provision for income taxes	(40)	(37)	(30)	(34)
Provision for income taxes	—	—	—	—
Net loss	(40)%	(37)%	(30)%	(34)%

**Comparison of the Three Months Ended March 31, 2018 and 2019**

**Consignment and Service Revenue**

	Three Months Ended March 31,		Change	
	2018	2019	Amount	%
(In thousands, except percentage)				
Consignment and service revenue, net	\$40,999	\$56,236	\$15,237	37%

Consignment and service revenue increased by \$15.2 million, or 37%, in the three months ended March 31, 2019 compared to the three months ended March 31, 2018. The growth in revenue was driven primarily by a 42% increase in GMV resulting from growth in both active consignors and active buyers in the three months ended March 31, 2019 compared to the three months ended March 31, 2018, as well as an improvement from 35.1% to 35.3% in our take rate due to changes to our commission structure that yielded a higher take rate on lower-priced items. GMV growth was driven by a 40% increase in active buyers, as well as a 1% increase in AOV. Active buyer growth was driven by an increase in new buyers due to the combination of our effective marketing spend and consignors becoming buyers, and an increase in repeat buyer orders as a percentage of total orders.

**Direct Revenue**

	Three Months Ended March 31,		Change	
	2018	2019	Amount	%
	(In thousands, except percentage)			
Direct revenue	\$5,460	\$ 13,019	\$ 7,559	138%

Direct revenue increased by \$7.6 million, or 138%, in the three months ended March 31, 2019 compared to the three months ended March 31, 2018. The increase was driven in part by an increase in our owned-inventory as a result of a higher than usual volume of returns received subsequent to payments to consignors during the annual extended holiday return period in connection with the 2018 to 2019 holiday season. The subsequent sale of our owned-inventory drove the increase in direct revenue in the first quarter of 2019 both on an absolute basis and as a percent of total revenue. We expect direct revenue as a percent of total revenue to vary from period to period.

**Cost of Consignment and Service Revenue**

	Three Months Ended March 31,		Change	
	2018	2019	Amount	%
	(In thousands, except percentage)			
Cost of consignment and service revenue	\$11,577	\$15,946	\$ 4,369	38%
As a percent of consignment and service revenue	28%	28%		

Cost of consignment and service revenue increased by \$4.4 million, or 38%, in the three months ended March 31, 2019 compared to the three months ended March 31, 2018. The increase was primarily attributable to increases in shipping costs of \$3.0 million driven by fulfillment of a larger number of orders in the first quarter of 2019 and credit card fees of \$1.2 million driven by growth in our business.

**Cost of Direct Revenue**

	Three Months Ended March 31,		Change	
	2018	2019	Amount	%
	(In thousands, except percentage)			
Cost of direct revenue	\$4,277	\$10,927	\$ 6,650	155%
As a percent of direct revenue	78%	84%		

Cost of direct revenue increased by \$6.7 million, or 155%, in the three months ended March 31, 2019 compared to the three months ended March 31, 2018, consistent with the increase in direct revenue. As a percentage of direct revenue, cost of direct revenue increased to 84% in the three months ended March 31, 2019 from 78% in the three months ended March 31, 2018, as a result of inventory valuation adjustments.

**Marketing**

	Three Months Ended March 31,		Change	
	2018	2019	Amount	%
	(In thousands, except percentage)			
Marketing	\$9,634	\$ 11,733	\$ 2,099	22%

Marketing expense increased by \$2.1 million, or 22%, in the three months ended March 31, 2019 compared to the three months ended March 31, 2018. The increase was primarily due to a \$1.8 million, or 21%, increase in

advertising costs as we seek to grow the number of buyers and consignors using our online marketplace. As a percent of revenue, marketing expense decreased to 17% in the three months ended March 31, 2019 from 21% in the three months ended March 31, 2018, reflecting greater scale in our business and efficiency in our buyer and consignor acquisition and retention activities.

**Operations and Technology**

	Three Months Ended March 31,		Change	
	2018	2019	Amount	%
	(In thousands, except percentage)			
Operations and technology	\$21,332	\$31,544	\$10,212	48%

Operations and technology expense increased by \$10.2 million, or 48%, in the three months ended March 31, 2019 compared to the three months ended March 31, 2018. The increase was primarily due to investments to support our growth and drive long-term operational efficiencies, including investments to significantly expand our merchandising and fulfillment facilities, open our first retail stores and grow our talent. This includes increases of \$6.6 million as a result of adding headcount in merchandising, authentication, fulfillment, technology and retail stores, \$2.1 million in occupancy costs related to our new retail stores and merchandising and fulfillment facilities and \$0.8 million in depreciation and amortization expense. As a percent of revenue, operations and technology expense was consistent at 46% in the three months ended March 31, 2018 and 2019. These expenses may vary from period to period as a percentage of revenue, depending primarily upon when we choose to make more significant investments. We expect these expenses to decrease as a percentage of revenue over the longer term.

**Selling, General and Administrative**

	Three Months Ended March 31,		Change	
	2018	2019	Amount	%
	(In thousands, except percentage)			
Selling, general and administrative	\$13,524	\$22,319	\$8,795	65%

Selling, general and administrative expense increased by \$8.8 million, or 65%, in the three months ended March 31, 2019 compared to the three months ended March 31, 2018. The increase was due to investments to support the growth of our sales organization and scale our general and administrative functions as necessary to operate as a public company. This includes an increase of \$6.4 million driven by additional headcount in our sales organization and general and administrative functions and an increase of \$1.5 million in accounting, consulting and legal fees. As a percent of revenue, selling, general and administrative expense increased to 32% in the three months ended March 31, 2019 from 29% in the three months ended March 31, 2018 as we invested in the growth of the sale organization and expanded our finance and administrative functions in anticipation of being a public company. These expenses may vary from period to period as a percentage of revenue. We expect these expenses to decrease as a percentage of revenue over the long term.

**Comparison of 2017 and 2018**

**Consignment and Service Revenue**

	Year Ended December 31,		Change	
	2017	2018	Amount	%
	(In thousands, except percentage)			
Consignment and service revenue	\$121,210	\$183,991	\$62,781	52%

Consignment and service revenue increased by \$62.8 million, or 52%, in 2018 compared to 2017. The growth in revenue was driven primarily by a 44% increase in GMV in 2018 compared to 2017 resulting from growth in both active consignors and active buyers in 2018, as well as an improvement from 33.7% to 35.5% in our take rate due to changes to our commission structure that yielded a higher take rate on lower-priced items. GMV growth was driven by a 43% increase in active buyers, as well as a 2% increase in AOV. Active buyer growth was driven by an increase in new buyers due to the combination of our effective marketing spend and consignors becoming buyers, and an increase in repeat buyer orders as a percentage of total orders.

**Direct Revenue**

	Year Ended December 31,		Change	
	2017	2018	Amount	%
	(In thousands, except percentage)			
Direct revenue	\$12,661	\$23,385	\$10,724	85%

Direct revenue increased by \$10.7 million, or 85%, in 2018 compared to 2017. The increase was driven in part by an increase in our owned-inventory as a result of a higher than usual volume of returns received subsequent to payments to consignors. The subsequent sale of our owned-inventory drove the increase in direct revenue on an absolute basis and as a percent of total revenue. We expect direct revenue as a percent of total revenue to vary from period to period.

**Cost of Consignment and Service Revenue**

	Year Ended December 31,		Change	
	2017	2018	Amount	%
	(In thousands, except percentage)			
Cost of consignment and service revenue	\$35,657	\$50,855	\$15,198	43%
As a percent of consignment and service revenue	29%	28%		

Cost of consignment and service revenue increased by \$15.2 million, or 43%, in 2018 compared to 2017. The increase was primarily attributable to increases in shipping costs of \$9.4 million and credit card fees of \$3.5 million as a result of the growth in consignment revenue.

**Cost of Direct Revenue**

	Year Ended December 31,		Change	
	2017	2018	Amount	%
	(In thousands, except percentage)			
Cost of direct revenue	\$10,572	\$19,603	\$9,031	85%
As a percent of direct revenue	84%	84%		

Cost of direct revenue increased by \$9.0 million, or 85%, in 2018 compared to 2017, consistent with the increase in direct revenue.

**Marketing**

	Year Ended December 31,		Change	
	2017	2018	Amount	%
	(In thousands, except percentage)			
Marketing	\$36,711	\$42,165	\$5,454	15%

Marketing expense increased by \$5.5 million, or 15%, in 2018 compared to 2017. The increase was primarily due to a \$4.5 million, or 14%, increase in advertising costs as we seek to grow the number of buyers and consignors using our online marketplace. As a percent of revenue, marketing expense decreased to 20% in 2018 from 27% in 2017, reflecting greater scale in our business and efficiency in our buyer and consignor acquisition and retention activities.

**Operations and Technology**

	Year Ended December 31,		Change	
	2017	2018	Amount	%
	(In thousands, except percentage)			
Operations and technology	\$58,680	\$104,929	\$46,249	79%

Operations and technology expense increased by \$46.2 million, or 79%, in 2018 compared to 2017. The increase was due to investments to support our growth and drive long-term operational efficiencies, including investments to significantly expand our merchandising and fulfillment facilities, enhance our technology, open our first retail stores and grow our talent. This includes increases of \$27.0 million as a result of adding headcount in merchandising, authentication, fulfillment, technology and retail stores, \$4.6 million in occupancy costs related to our new retail stores and merchandising and fulfillment facilities, \$4.6 million in depreciation and amortization expense, \$3.6 million in consulting fees primarily related to technology development, and \$2.0 million related to a settlement payment in connection with early termination of a vendor services agreement. As a percent of revenue, operations and technology expense increased to 51% in 2018 from 44% in 2017. These expenses may vary from period to period as a percentage of revenue, depending primarily upon when we choose to make more significant investments. We expect these expenses to decrease as a percentage of revenue over the longer term.

**Selling, General and Administrative**

	Year Ended December 31,		Change	
	2017	2018	Amount	%
	(In thousands, except percentage)			
Selling, general and administrative	\$44,035	\$63,728	\$19,693	45%

Selling, general and administrative expense increased by \$19.7 million, or 45%, in 2018 compared to 2017. The increase was due to investments to support the growth of our sales organization and scale our general and administrative functions as necessary to operate as a public company. This includes an increase of \$14.5 million driven by an increase in headcount in our sales organization and general and administrative functions. As a percent of revenue, selling, general and administrative expense decreased to 31% in 2018 from 33% in 2017.

**Quarterly Results of Operations and Key Metrics**

The following table sets forth certain unaudited financial data for each fiscal quarter for the periods indicated in dollars and as a percentage of revenue. The information for each quarter has been prepared on a basis consistent with our audited consolidated financial statements included in this prospectus and reflect all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of the financial information contained in those statements. Our historical results are not necessarily indicative of the results that may be expected for the full year or any other period in the future. The following quarterly financial information should be read in conjunction with our audited consolidated financial statements and related notes included in this prospectus.

	2018				2019
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter
	(In thousands)				
<b>Revenue:</b>					
Consignment and service revenue	\$ 40,999	\$ 42,178	\$ 45,744	\$ 55,070	\$ 56,236
Direct revenue	5,460	4,807	6,095	7,023	13,019
Total revenue	<u>46,459</u>	<u>46,985</u>	<u>51,839</u>	<u>62,093</u>	<u>69,255</u>
<b>Cost of revenue:</b>					
Cost of consignment and service revenue	11,577	12,349	13,157	13,772	15,946
Cost of direct revenue	4,277	3,857	5,352	6,117	10,927
Total cost of revenue	<u>15,854</u>	<u>16,206</u>	<u>18,509</u>	<u>19,889</u>	<u>26,873</u>
Gross profit	<u>30,605</u>	<u>30,779</u>	<u>33,330</u>	<u>42,204</u>	<u>42,382</u>
<b>Operating expenses:</b>					
Marketing	9,634	9,276	10,624	12,631	11,733
Operations and technology	21,332	22,997	28,257	32,343	31,544
Selling, general and administrative	13,524	14,377	16,325	19,502	22,319
Total operating expenses	<u>44,490</u>	<u>46,650</u>	<u>55,206</u>	<u>64,476</u>	<u>65,596</u>
Loss from operations	(13,885)	(15,871)	(21,876)	(22,272)	(23,214)
Interest income	84	81	437	444	405
Interest expense	(197)	(526)	(204)	(225)	(131)
Other expense, net	(108)	(1,279)	(205)	(64)	(282)
Loss before provision for income taxes	(14,106)	(17,595)	(21,848)	(22,117)	(23,222)
Provision for income taxes	—	—	37	62	—
Net loss	<u>\$ (14,106)</u>	<u>\$ (17,595)</u>	<u>\$ (21,885)</u>	<u>\$ (22,179)</u>	<u>\$ (23,222)</u>

	2018				2019
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter
<b>Revenue:</b>					
Consignment and service revenue	88%	90%	88%	89%	81%
Direct revenue	12	10	12	11	19
Total revenue	100	100	100	100	100
<b>Cost of revenue:</b>					
Cost of consignment and service revenue	25	26	26	22	23
Cost of direct revenue	9	8	10	10	16
Total cost of revenue	34	34	36	32	39
Gross profit	66	66	64	68	61
<b>Operating expenses:</b>					
Marketing	21	20	20	20	17
Operations and technology	46	49	55	52	46
Selling, general and administrative	29	31	31	31	32
Total operating expenses	96	100	106	104	95
Loss from operations	(30)	(34)	(42)	(36)	(34)
Interest income	—	1	—	—	—
Interest expense	—	(1)	—	—	—
Other expense, net	—	(3)	—	—	—
Loss before provision for income taxes	(30)	(37)	(42)	(36)	(34)
Provision for income taxes	—	—	—	—	—
Net loss	(30)%	(37)%	(42)%	(36)%	(34)%

**Key Financial and Operating Metrics**

	2018				2019
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter
	(In thousands, except AOV and percentages)				
GMV	\$158,378	\$162,954	\$170,923	\$218,495	\$224,116
NMV	\$113,347	\$115,916	\$123,550	\$153,776	\$160,538
Number of Orders	356	359	409	471	498
Take rate	35.1%	35.5%	36.4%	34.9%	35.3%
Active buyers	326	352	379	416	456
AOV	\$ 445	\$ 453	\$ 418	\$ 464	\$ 450
Adjusted EBITDA	\$ (11,342)	\$ (13,052)	\$ (15,936)	\$ (18,526)	\$ (18,478)



The following table presents a reconciliation of Adjusted EBITDA from net loss:

	2018				2019
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter
	(In thousands)				
<b>Adjusted EBITDA Reconciliation:</b>					
Net loss	\$(14,106)	\$(17,595)	\$(21,885)	\$(22,179)	\$(23,222)
Add (deduct):					
Depreciation and amortization	1,998	2,138	2,353	2,801	2,808
Stock-based compensation	545	681	740	945	1,109
Compensation expense related to stock sales by current and former employees	—	—	847	—	819
Vendor services settlement	—	—	2,000	—	—
Interest income	(84)	(81)	(437)	(444)	(405)
Interest expense	197	526	204	225	131
Other expense, net	108	1,279	205	64	282
Provision for income taxes	—	—	37	62	—
Adjusted EBITDA	<u>\$(11,342)</u>	<u>\$(13,052)</u>	<u>\$(15,936)</u>	<u>\$(18,526)</u>	<u>\$(18,478)</u>

**Quarterly Trends**

Our quarterly revenue increased sequentially for all periods presented primarily due to increases in our GMV. Generally, we have experienced the highest levels of revenue in the fourth quarter of the year compared to other quarters due to the seasonality in our business. Specifically, our supply increases in the third and fourth quarters, and our demand increases in the fourth quarter. As a result of this seasonality, we typically see stronger AOV and more rapid sell-through in the fourth quarter. Additionally, during the annual extended holiday return period in connection with the 2018-2019 holiday season, our owned-inventory increased as a result of a higher than usual volume of returns received subsequent to payments to consignors. The subsequent sale of our owned-inventory drove the increase in direct revenue in the first quarter of 2019 both on an absolute basis and as a percent of total revenue.

Our quarterly costs and expenses generally increased sequentially for all periods presented, primarily due to the increase of personnel-related expenses from increases in headcount as well as ongoing marketing expenses related to buyer and consignor acquisition and retention efforts and investments to support our growth and drive long-term operational efficiencies. We incurred higher operating expenses starting in the latter half of 2018 due to investments to support our growth and drive long-term operational efficiencies, including investments to significantly expand our merchandising and fulfillment facilities, open our first retail stores and grow our talent.

**Liquidity and Capital Resources**

As of March 31, 2019, we had cash, cash equivalents and short-term investments of \$103.0 million and an accumulated deficit of \$281.0 million. Since inception, we have generated negative cash flows from operations and have primarily financed our operations through several rounds of venture capital financing. In March 2019, we received aggregate gross proceeds of \$70.0 million from the issuance of our Series H preferred stock.

We expect that operating losses and negative cash flows from operations could continue in the foreseeable future as we continue to invest in expansion activities. We believe our existing cash and cash equivalents and short-term investments as of March 31, 2019 will be sufficient to meet our working capital and capital expenditures needs for at least the next 12 months.

Our future capital requirements will depend on many factors, including, but not limited to, our ability to grow our revenues and the timing of investments to support growth in our business, such as the build-out of new fulfillment centers and, to a lesser extent, the opening of new retail stores. We may seek additional equity or debt

financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, financial condition and results of operations could be adversely affected.

**Cash Flows**

The following table summarizes our cash flows for the periods indicated.

	Year Ended		Three Months Ended	
	December 31,	2018	2018	March 31,
	2017			2019
	(In thousands)			
Net cash (used in) provide by:				
Operating activities	\$(38,574)	\$ (47,195)	\$(14,972)	\$(22,571)
Investing activities	(11,303)	(33,923)	9,210	7,444
Financing activities	46,719	106,085	(711)	69,711
Net (decrease) increase in cash, cash equivalents and restricted cash	\$ (3,158)	\$ 24,967	\$ (6,473)	\$ 54,584

**Net Cash Used in Operating Activities**

During the three months ended March 31, 2019, net cash used in operating activities was \$22.6 million, which consisted of a net loss of \$23.2 million, adjusted by non-cash charges of \$5.4 million and a net change of \$4.8 million in our operating assets and liabilities. The net change in our operating assets and liabilities was primarily the result of a \$4.0 million increase in accounts receivable driven by the timing of settlement of credit card purchases relative to year-end sales and a \$2.4 million increase in prepaid expenses and other current assets, partially offset by \$1.3 million increase in accrued consignor payable.

During the three months ended March 31, 2018, net cash used in operating activities was \$15.0 million, which consisted of a net loss of \$14.1 million, adjusted by non-cash charges of \$2.9 million and a net change of \$3.7 million in our operating assets and liabilities. The net change in our operating assets and liabilities was primarily the result of a \$1.3 million decrease in accrued consignor payable, a \$1.3 million increase in prepaid expenses and other current assets and a \$0.8 million decrease in other accrued and current liabilities driven by the growth in our operations.

During 2018, net cash used in operating activities was \$47.2 million, which consisted of a net loss of \$75.8 million, partially offset by non-cash charges of \$16.5 million and a net change of \$12.1 million in our operating assets and liabilities. The net change in our operating assets and liabilities was primarily the result of a \$15.7 million increase in other accrued and current liabilities driven by our growth, a \$6.6 million increase in accrued consignor payable and a \$3.4 million increase in other non-current liabilities, partially offset by a \$5.3 million increase in prepaid expenses and other current assets and a \$3.7 million increase in inventory, net.

During 2017, net cash used in operating activities was \$38.6 million, which consisted of a net loss of \$52.3 million, partially offset by non-cash charges of \$8.5 million and a net change of \$5.2 million in our operating assets and liabilities. The net change in our operating assets and liabilities was primarily the result of a \$10.5 million increase in accrued consignor payable and \$6.1 million increase other accrued and current liabilities as a result of our growth, partially offset by \$4.2 million increase in accounts receivable, a \$3.9 million increase in inventory, net, and a \$2.4 million increase in prepaid expenses and other current assets.

**Net Cash Used in Investing Activities**

During the three months ended March 31, 2019, net cash provided by investing activities was \$7.4 million, which consisted of \$12.9 million proceeds from maturities on short-term investments partially offset by \$3.7 million for purchases of property and equipment, net, including leasehold improvements, and \$1.7 million for capitalized proprietary software costs.

During the three months ended March 31, 2018, net cash provided by investing activities was \$9.2 million, which consisted of proceeds of \$7.6 million from maturities on short-term investments and proceeds of \$7.0 million from the sale of short-term investments, partially offset by \$2.4 million for purchases of property and equipment, net, \$2.2 million for purchases of short-term investments and \$0.8 million for capitalized proprietary software costs.

During 2018, net cash used in investing activities was \$33.9 million, which consisted of \$31.5 million for purchases of short-term investments, \$13.4 million for purchases of property and equipment, net, including leasehold improvements, and \$5.7 million for capitalized proprietary software costs, partially offset by the proceeds of \$9.6 million from maturities on short-term investments and proceeds of \$7.0 million from the sale of short-term investments.

During 2017, net cash used in investing activities was \$11.3 million, which consisted of \$27.5 million for purchases of short-term investments, \$11.6 million for purchases of property and equipment, net, including leasehold improvements, and \$2.5 million for capitalized proprietary software costs, partially offset by the proceeds of \$30.3 million from maturities of short-term investments.

**Net Cash Provided by Financing Activities**

During the three months ended March 31, 2019, net cash provided by financing activities was \$69.7 million, which primarily consisted of proceeds of \$69.9 million from the issuance of redeemable convertible preferred stock and convertible preferred stock, net of issuance costs, and proceeds of \$1.3 million from the exercise of stock options and warrants partially offset by \$1.3 million for repayment of debt.

During the three months ended March 31, 2018, net cash used in financing activities was \$0.7 million which was primarily as a result of repayment of debt.

During 2018, net cash provided by financing activities was \$106.1 million, which primarily consisted of proceeds of \$96.3 million from the issuance of preferred stock, net of issuance costs, and proceeds of \$14.3 million from the issuance of convertible notes, net of issuance costs, partially offset by \$4.5 million for repayments of debt.

During 2017, net cash provided by financing activities was \$46.7 million, which primarily consisted of proceeds of \$47.8 million from the issuance of preferred stock, net of issuance costs, partially offset by \$1.3 million for repayments of debt.

**Contractual Obligations and Commitments**

The following table summarizes our contractual obligations and commitments as of December 31, 2018:

	Payments Due by Period				
	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years
	(In thousands)				
Operating leases <sup>(1)(2)(3)</sup>	\$121,250	\$ 15,563	\$32,102	\$24,612	\$ 48,973
Term loans, including interest	10,022	6,440	3,582	—	—
Unconditional endowment grant <sup>(4)</sup>	1,500	500	1,000	—	—
Capital leases	359	329	30	—	—
Non-cancellable purchase commitments	4,489	2,390	2,099	—	—
<b>Total</b>	<b>\$137,620</b>	<b>\$ 25,222</b>	<b>\$38,813</b>	<b>\$24,612</b>	<b>\$ 48,973</b>

(1) This table does not include the noncancelable operating lease we entered into in January 2019 to extend and expand the existing lease in Chicago, IL. The additional minimum lease payments over the eight-year term total \$1.3 million.

(2) This table does not include the noncancelable operating lease we entered into in April 2019 for our second retail store in New York City. The minimum lease payments for the initial lease term through January 31, 2020 total \$0.6 million.

- (3) This table does not include the noncancelable operating lease we entered into in May 2019 for a luxury consignment office in Los Angeles. The minimum lease payments for the initial lease term through July 31, 2027 total \$10.6 million.
- (4) In January 2018, we entered into an agreement with the University of Arizona Foundation to endow a gemology degree program in the Department of Geosciences. We committed to endow a total of \$2.0 million, of which \$1.5 million remained to be funded as of December 31, 2018.

#### **Term Loans**

We are party to a loan and security agreement that includes a term loan facility, which consists of a \$7.5 million term loan with a maturity date of January 1, 2020 and a \$7.5 million term loan maturing at January 31, 2021 (together the "Term Loans").

The Term Loans bear interest on the outstanding daily balance thereof at a variable annual rate equal to 0.35% above the prime rate then in effect. As of December 31, 2018 and March 31, 2019, we had \$9.2 million and \$8.0 million, respectively, outstanding under the Term Loans, and the associated interest rate on our debt was 5.85%. The Term Loans are secured by liens on substantially all of our present and future assets.

The Term Loans include affirmative, negative and financial covenants that restrict our ability to, among other things, incur additional indebtedness, make investments, sell or otherwise dispose of assets, pay dividends or repurchase stock. As of December 31, 2018 and March 31, 2019, we were in compliance with all debt covenants.

#### **Off-Balance Sheet Arrangements**

We did not have during the periods presented, and we do not currently have, any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

#### **Critical Accounting Policies and Estimates**

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with United States generally accepted accounting principles. The preparation of these financial statements requires our management to make judgments and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenue generated, and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these judgments and estimates under different assumptions or conditions and any such differences may be material. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

#### **Revenue Recognition**

##### *Consignment and Service Revenue*

We generate the majority of our revenue from consignment services for the sale of pre-owned luxury goods on behalf of consignors through our online consignment marketplace. For consignment sales, we retain a portion of the proceeds received, which we refer to as our take rate, and remit the balance to the consignors. We recognize consignment revenue upon purchase of the goods by the buyer based on our take rate, net of allowances for product returns and order cancellations and certain incentives.

We also generate revenue from shipping fees to buyers, and occasionally consignors, and have elected to treat shipping and handling activities performed after control transfers to the buyer as fulfillment activities. Accordingly, we recognized shipping fees as revenue upon purchase of the goods by the buyer. We also generate service revenue from our *First Look* subscription program, through which buyers pay a monthly fee for early access to our listings. Subscription fees are recognized on a monthly basis.

Certain transactions provide consignors with a material right resulting from the tiered consignor commission plan. Under this plan, the amount an individual consignor receives for future sales of consigned goods may be dependent on previous consignment sales for that consignor. Accordingly, in certain consignment transactions, a small portion of our consignment service revenue is allocated to such material right using the portfolio method, as applicable. Such deferred revenue is recorded as deferred revenue and recognized based on the pattern of exercise.

We recognize a returns reserve in the period that the related revenue is recorded based on historical experience. Historically, our estimate for returns has not varied materially from our actual returns. In the future, if we conclude that an adjustment is required due to material changes in returns activity, the returns reserve will be adjusted accordingly.

#### *Direct Revenue*

We also generate revenue from the sales of company-owned inventory. We recognize direct revenue upon purchase of the goods through our online marketplace, based on the gross purchase price net of allowances for product returns and order cancellations and certain incentives.

#### **Stock-based Compensation**

We estimate the fair value of stock options granted to employees, non-employees and directors using the Black-Scholes option-pricing model. The fair value of stock options that is expected to vest is recognized as compensation expense on a straight-line basis over the requisite service period.

The Black-Scholes model considers several variables and assumptions in estimating the fair value of stock-based awards. These variables include per share fair value of the underlying common stock, exercise price, expected term, risk-free interest rate, expected annual dividend yield and expected stock price volatility over the expected term. For all stock options granted to date, we calculated the expected term using the simplified method for "plain vanilla" stock option awards. We determine volatility using the historical volatility of the stock price of similar publicly traded peer companies. The risk-free interest rate is based on the yield available on U.S. Treasury zero-coupon issues similar in duration to the expected term of the equity-settled award.

The fair value of the shares of common stock underlying the stock options has historically been determined by our board of directors, with assistance by management and using contemporaneous third-party valuations, as there was no public market for the common stock. The fair value of our common stock is determined by considering a number of objective and subjective factors, including: the valuation of comparable companies, sales of preferred stock to unrelated third parties, secondary sale transactions, our operating and financial performance, the lack of liquidity of common stock and general and industry specific economic outlook, amongst other factors. Following the closing of our initial public offering, the fair value per share of our common stock for purposes of determining stock-based compensation will be the closing price of our common stock as reported on the applicable grant date.

#### **Qualitative and Quantitative Disclosures about Market Risk**

We are exposed to market risks in the ordinary course of our business, including fluctuations in interest rates. Such fluctuations to date have not been significant.

As of March 31, 2019, we had unrestricted cash, cash equivalents and short-term investments of approximately \$103.0 million, which carry a degree of interest rate risk. A hypothetical 10% change in interest rates would not have a material impact on our financial condition or results of operations due to the short-term nature of our investment portfolio.

We do not believe that inflation has had a material effect on our business, results of operations or financial condition. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs. Our inability or failure to do so could harm our business, results of operations or financial condition.

#### **Recent Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), or ASU 2016-02, which is aimed at making leasing activities more transparent and comparable and requires substantially all leases to be recognized by lessees on their balance sheet as a right-of-use asset and corresponding lease liability, including leases currently accounted for as operating leases. The new standard is effective for non-public entities in fiscal years beginning after December 15, 2019. We are currently evaluating the impact that this standard will have on our financial statements but we expect that it will result in a significant increase in our long-term assets and liabilities.

For more information on recently issued accounting pronouncements, see Note 2 to our financial statements “Significant Accounting Policies.”

#### **JOBS Act Accounting Election**

We are an “emerging growth company,” as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to use this extended transition period to enable us to comply with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (1) are no longer an emerging growth company or (2) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

The Future of Luxury is Circular

To Our Current and Future Shareholders,

Welcome to The RealReal!

The RealReal represents my proudest achievement. This is in large part due to the unwavering trust of our consignors and buyers who enthusiastically engage with The RealReal every day. Through the dedication of our 1,700+ employees, and the commitment of our investors, we've developed a unique business model and reinvented resale for the luxury-focused, value conscious and sustainably-minded customer.

My years of leading companies seeking to transport old business models into the digital age informed the key tenets and values that drive The RealReal today. We are addressing an enormous market with a disruptive business model that relies on deep data insights and rigorous analysis to drive consignor and buyer engagement. As a result, we are constantly optimizing our business to build the foundation for long-term sustainable growth and profitability.

When I conceived of The RealReal, I was mindful of the competitive dynamics online. I created a map of the strengths of leading online companies and was looking for a market opportunity that would require a unique set of operational competencies to "unlock" its online potential. Then I had my "aha!" moment. I was shopping with a friend at an upscale boutique that carried full-priced designer shoes, jewelry and clothing in the front of the store, and offered beautifully merchandised designer goods on consignment in the back of the store. Much to my surprise, my friend bought the luxury consignment items— something I had never seen her do before. When asked about her purchase decision, she explained that she trusted the shop owner who curated the goods meticulously. She loved that she was finding great value on luxury products from designers she loved like Chanel, Louis Vuitton and Gucci. She said she would not shop for pre-owned luxury goods at traditional consignment stores or online as she did not trust that they were real. Further, she had never consigned and felt it required too much work. This is when I realized that there was a unique opportunity to bring luxury consignment online.

My research confirmed the immensity of the primary luxury market. That market was expected to reach global annual sales of nearly \$300 billion in 2018 with the United States accounting for less than a third of that total. Even more staggering was the cumulative value of under-utilized luxury items in good condition accumulating in people's homes. I set out to create a business by injecting trust and service into the equation for consignors and buyers and leveraging data and technology to transform the luxury resale market. We opened the virtual doors of The RealReal on June 23, 2011, as the first marketplace solely offering authenticated luxury goods for buyers and full-service consultation and pick-up for consignors. The enthusiastic reception we received from both consignors and buyers quickly made it clear to me that we had a massive worldwide opportunity with significant competitive advantages.

In the intervening years, the five basic pillars upon which we have built our business are set forth below:

1. **Service.** We infuse the consignment process with exceptional service, ease of use, pricing transparency and regular payments that keep consignors returning to us consistently.
2. **Trust.** The trust engendered by our investment in authentication is the force that attracts buyers and keeps them coming back.
3. **Data.** Unique data insights combined with artificial intelligence and our expert analysts' judgment results in price optimization, increased sales velocity and business model efficiencies.
4. **Technology.** Proprietary technology developed over eight years to manage the complexity of operating a marketplace with up to 14,000 single-SKU items per day and 1.6 million transactions in 2018 is an important part of our competitive strength.

5. **Sustainability.** Our buyers and consignors are motivated by the awareness that recirculating luxury products (and recouping some of their original investment) is not just good for them personally but good for the planet.

The fifth pillar has become very important in the last few years. What I didn't appreciate in 2010, but am fully aware of now, is the importance of recirculating luxury goods for sustainability. Since The RealReal's inception, the fast fashion market has exploded making fashion disposable and is a key contributor to the estimated dump-truck-per-second of apparel added to landfills according to a report by the Ellen MacArthur Foundation. Increasingly, The RealReal's buyers and consignors are aware of the negative environmental and societal impact of the new fashion industry. They are embracing resale as a way to buy sustainably and many have replaced their fast fashion purchases with The RealReal purchases.

As the oldest child of commercial artists and entrepreneurs, I learned early on that creativity and passion are the best motivators. You must love what you do, and I hope you will understand and appreciate how passionate my team and I are about our company's mission. We are well on our way to making The RealReal a global company. We are building a brand that is emotionally engaged with its customers and stands proudly next to the venerable auction houses. We are a rapidly growing and increasingly trustworthy marketplace for pre-owned luxury goods. We aim to become an iconic indispensable partner for the brands who create them.

Going public now paves the way for our next leg of growth. Our initial public offering will provide access to capital, elevate The RealReal brand to drive further business to our marketplace and demand continued discipline from our management team to execute optimally.

As stockholders, you deserve the same from us that our consignors and buyers demand: trust and transparency. We will rely on long-term thinking to inspire our strategy and execution. We will continue to use data to drive our decisions, technology to make the company more efficient, and excellent service to delight our consignors and buyers. We will continue to take risks, experiment, iterate and reduce friction for our customers. Like the luxury brands we respect and honor, over time we hope to become a truly global organization. Our team thinks big.

I look forward to working with you, our employees and our consignors and buyers in the creation of an enduring brand of which we can all be proud.

Keep it The RealReal!

Julie Wainwright  
Chief Executive Officer





Testimonials



Member Testimonials

“Knowing that everything you find on The RealReal is authentic makes you even more confident in what you’re wearing...it’s like the true life cycle of fashion on The RealReal. I love it.”

Marnie L.,  
Westport, CT





Member Testimonials

“So pretty much every month I get a commission check in the mail from The RealReal. It is absolutely found money. I’m like, ‘Cha-ching. This is amazing.’”

Laura W.,  
Los Angeles, CA

Partner Testimonial

“It’s the biggest  
compliment for your  
product to have an afterlife  
—to me, that’s luxury.”

Stella McCartney,  
*Vogue*, February 2019

## BUSINESS

### Our Mission

Our mission is to empower consignors and buyers to extend the lifecycle of luxury goods in a way that honors luxury brands.

### Overview

The RealReal is the world's largest online marketplace for authenticated, consigned luxury goods. We are revolutionizing luxury resale by providing an end-to-end service that unlocks supply from consignors and creates a trusted, curated online marketplace for buyers globally. Over the past eight years, we have cultivated a loyal and engaged consignor and buyer base through continuous investment in our technology platform, logistics infrastructure and people. We aggregate and curate unique, pre-owned luxury supply that is exclusive to The RealReal across multiple categories, including women's, men's, kids', jewelry and watches, and home and art. We have built a vibrant online marketplace that we believe expands the overall luxury market, promotes the recirculation of luxury goods and contributes to a more sustainable world.

We participate in the large and growing personal luxury goods market, which was estimated to reach \$294 billion in 2018, and is expected to grow to between \$362 and \$412 billion in 2025, according to Bain. Luxury goods retain value over time as a result of their enduring desirability and durability, making them particularly well-suited for resale. The total addressable market of luxury producers in U.S. homes potentially available for resale including men's and women's apparel, handbags, shoes, watches, jewelry, high-end furniture and art valued below \$250,000 is approximately \$198 billion, according to Frost & Sullivan. We are well positioned to benefit from several favorable industry and consumer trends, including the accelerating shift of luxury to digital channels, the increasing acceptance of resale, a rising value consciousness and a desire to embrace sustainability.

The existing luxury resale market is outdated, fragmented, difficult to access and laden with counterfeit goods. Primarily due to these challenges, a vast quantity of consignable luxury goods languishes in homes, and buyers can be hesitant to purchase pre-owned luxury goods. We are transforming the luxury resale experience by addressing these challenges.

- ***We provide a seamless consignment experience enabled by our proprietary technology platform and data.*** We leverage our proprietary technology and data analytics to provide world-class service, making consignment easy, convenient, reliable and fast. As a result, we unlock luxury supply from first-time consignors, convert consignors who typically consign at local brick-and-mortar shops to our online marketplace, and drive high repeat consignment rates. We leverage data from millions of previous transactions and current market data to optimize pricing and sales velocity for our consignors. Through March 31, 2019, we have cumulatively paid \$987.7 million in commissions to our consignors.
- ***We offer buyers a vast, yet curated supply of pre-owned luxury goods and instill trust in the buying process.*** In 2018, we added approximately 2.6 million new items to our online marketplace. Our highly trained experts build trust in our buyer base by thoroughly inspecting the quality and condition of, and authenticating every item we receive. This trust drives repeat purchases from our buyer base and instills confidence in first-time buyers to purchase pre-owned luxury goods.

A strong network effect drives the growth of our online marketplace. As we bring more consignors onto our platform, we unlock more high-quality, luxury supply, which increases our merchandise assortment and attracts more buyers. This, in turn, increases sales velocity and commissions for our consignors. In addition, a meaningful share of our consignors become buyers and vice versa, which creates a differentiated flywheel that enhances the network effect of our online marketplace.

Our technology, data analytics and unique service model provide us with a number of sustainable competitive advantages:

- **Technology.** We have built a proprietary technology platform that powers our complex single-SKU inventory model and merchandising operations, which include authenticating, copywriting, pricing and photographing up to 14,000 unique items a day in 2018. By leveraging our technology platform, automation and machine learning, we are able to drive operational efficiencies at scale.
- **Data analytics.** Our powerful data analytics capabilities enable us to improve both the consignor and buyer experiences across all channels. We had approximately 400 million item views in 2018 and made approximately 9.4 million item sales since inception through March 31, 2019, providing us with rich product and customer data. We leverage this data to optimize merchandising, pricing and sales velocity. In 2017 and 2018, approximately 60% and 80% of the products on our online marketplace sold within 30 days and 90 days, respectively. In 2017 and 2018, our online marketplace sell-through ratios were 93% and 96% respectively.
- **Service model.** Our large sales and service organization serves most major metropolitan markets in the United States and is responsible for obtaining exclusive supply for our online marketplace. Our sales professionals generate a robust pipeline of new consignors and build lasting relationships which cannot be easily replicated. They consult on the consignment process and leverage data to advise consignors on pricing, expected selling time and market trends. This results in a consistent supply of desirable, high-quality pre-owned luxury goods.

We generate revenue from orders processed through our website, mobile app and three retail stores located in New York and Los Angeles. Our revenue is primarily based on our take rates from these transactions. Our growth and success are evidenced by our operating and financial results in 2018:

- We processed 1.6 million orders, up 42% over 2017.
- Our average order value was \$446, up 2% over 2017.
- Our GMV was \$710.8 million, up 44% over 2017.
- Our NMV was \$506.6 million, up 45% over 2017.
- Our total revenue was \$207.4 million, up 55% over 2017.
- Our gross profit was \$136.9 million, up 56% over 2017.

#### The Luxury Industry

We participate in the large and growing luxury market. The global market for personal luxury goods was expected to reach \$294 billion in 2018, growing at a 6% compounding constant currency annual growth rate since 1996, according to Bain. Categories such as fine art and home goods further increase the size of this market. Specific market forces and consumer trends that are transforming the future of the global luxury market include the following:

- **Luxury retail is rapidly shifting online.** According to Bain, the online share of the global personal luxury goods market in 2018 was approximately 10% up from approximately 2% in 2008, and Bain estimates that online penetration will reach 25% by 2025 as new technologies continue to enhance the digital shopping experience.
- **Younger generations are driving growth.** Millennials accounted for more than 25% of the U.S. population in 2015, according to the U.S. Census Bureau. Millennials made up the largest percentage of the U.S. workforce in 2017, according to the Pew Research Center. According to Bain, Millennials and Generation Z were expected to account for approximately 33% of the luxury market in 2018 and Millennials were expected to drive virtually 100% of market growth in 2018 as their purchasing power increases. Millennials and Generation Z are expected to collectively account for 55% of the luxury market in 2025, and drive 130% of market growth from 2018 to 2025. According to Frost & Sullivan, U.S.

consumers aged 18 to 34 on average spend approximately 37% more annually on new luxury items than U.S. consumers aged 35 and over.

- **Luxury is resilient to economic cycles.** The luxury market demonstrated stable average annual growth of 6% compounding constant currency annual growth rate since 1996, according to Bain, with the only meaningful decline observed during the global financial crisis from 2008 to 2009. During this period, the personal luxury goods market declined approximately 8%, but it quickly recovered and increased 14% from 2009 to 2010, according to Bain.

#### Consumer Trends in Our Favor

We believe the following consumer trends provide strong tailwinds for our business:

- **Increasing acceptance of resale.** Consumers are demonstrating an increasing acceptance of purchasing pre-owned goods. 44% of international fashion executives and experts expect resale ownership models to be more relevant in 2019, according to McKinsey.
- **Rising value consciousness.** The resale market expands access to and availability of luxury goods by offering high-quality items at more attainable price points. Resale serves as a gateway to luxury brands for aspirational consumers, particularly Millennials and Generation Z. Even affluent consumers are searching for value as prices for new luxury goods continue to increase, according to McKinsey.
- **Desire for newness, uniqueness and individuality.** Luxury consumption has become a means for self-expression as Generation Z consumers desire unique products as a way to express their individuality and make a personal statement, according to Bain.
- **Focus on sustainability.** Nine in ten Generation Z consumers believe companies have a responsibility to address environmental and social issues, according to Cone Communications. Based on our survey data, 56% of our overall consignor base and 64% of our Millennial consignor base cite environmental impact or extending the lifecycle of luxury items as key motivators for consigning with us.

#### Our Market Opportunity

Consumers globally purchase hundreds of billions of dollars of personal luxury goods every year. These goods accumulate in homes over time and create a meaningful market opportunity for us. We commissioned Frost & Sullivan, a third party research company, to assess the value of luxury products potentially available for resale in U.S. consumers' homes. Frost & Sullivan performed an analysis by U.S. demographic on consumer spending on luxury products and estimated the total addressable market of luxury products in U.S. homes potentially available for resale including men's and women's apparel, handbags, shoes, watches, jewelry, high end furniture and art valued below \$250,000 at approximately \$198 billion.

In addition, the number of garments purchased annually by the average consumer increased by 60% between 2000 and 2014, according to McKinsey. However, we believe that only a small portion of the clothes in an average person's closet are worn on a regular basis. We unlock and recirculate underutilized personal luxury goods to address demand from millions of buyers globally through our trusted online marketplace.

#### Challenges with Existing Luxury Resale Models

Existing luxury resale models have failed to unlock the abundance of pre-owned luxury supply due to inherent challenges, which include the following:

- **Friction for consignors.** Existing luxury resale models often require consignors to spend a significant amount of time and energy dropping off items at physical locations, such as consignment stores or pawn shops, or self-listing on peer-to-peer platforms. Consignment stores and pawn shops typically offer inferior economics and experiences to consignors, fail to achieve optimal pricing and sales velocity, pay



commissions slowly and are sometimes disreputable. Peer-to-peer platforms require sellers to do a significant amount of work, including photography, copywriting, pricing, fulfillment and customer service.

- **Lack of trust for buyers.** Due to the pervasiveness of counterfeit luxury goods and inconsistent authentication standards, buyers can be hesitant to purchase pre-owned luxury goods. The global trade in counterfeit goods in 2016 was over \$509 billion, according to the Organisation for Economic Co-operation and Development. Peer-to-peer marketplaces and consignment stores do not authenticate effectively as they do not take physical possession of the item, have inconsistent authentication standards or do not employ expert authenticators. Furthermore, the quality of photos and accuracy of descriptions vary widely and are often misleading. There is a lack of transparency as buyers are not able to easily obtain information such as fair market value or verify authenticity.
- **Fragmented supply.** Luxury supply that is available for resale is largely distributed across thousands of brick-and-mortar stores. There are over 25,000 resale shops in the United States, according to the Association of Resale Professionals. These stores typically only serve local markets, have limited hours of operation, feature a narrow product selection and only offer exposure to a local buyer base. As a result, consignors often experience slow monetization times at suboptimal prices.

#### **Our Solution**

We are delivering the future of luxury resale. Over the past eight years, we developed innovative service and technology solutions to address the specific challenges inherent in existing luxury resale models.

#### **Unique Service Model to Unlock Pre-Owned Luxury Supply**

By making consignment easy, convenient, reliable and fast, we are able to unlock a vast quantity of desirable, high-quality, pre-owned luxury goods. Our sales professionals remove friction from the consignment process and build lasting relationships with our consignors. In 2018, approximately 80% of our GMV came from repeat consignors. Our unique service model incentivizes consumers to consign by making the process easy.

- **We deliver an end-to-end service experience.** We provide multiple points of access for our consignors. Across most major U.S. metropolitan areas, we offer White Glove in-home consultation and pickup or drop off at one of our eleven LCOs, three of which are located in our retail stores. We also offer complimentary shipping directly to our merchandising and fulfillment facilities. In addition, we provide complimentary consultations and valuations.
- **We do the work on behalf of consignors.** Once consigned items reach one of our four merchandising and fulfillment facilities, we authenticate, write the associated copy, photograph, price, sell and handle all fulfillment and returns logistics, making the process seamless for the consignor.
- **We generate high commissions for consignors.** Our scale and global reach combined with our technology-driven online marketplace and proprietary data enable consignors to realize optimal value for their pre-owned luxury goods. We leverage data from millions of previous transactions and current market data to optimize pricing for our consignors. Our consignors earn up to 85% in commissions and achieved an average commission rate of approximately 65% in 2018.
- **We drive rapid monetization.** Our online marketplace efficiently matches supply with demand resulting in exceptional sales velocity. In 2017 and 2018, approximately 60% and 80% of the products on our online marketplace sold within 30 days and 90 days, respectively, fueled by our data-driven merchandising, pricing and marketing strategies. In 2017 and 2018, our marketplace sell-through ratio was 93% and 96%, respectively.

#### **Exclusive, Authenticated Pre-Owned Luxury Supply Drives Demand**

We make it easy for buyers to shop our vast, yet curated selection of authenticated, pre-owned luxury goods. In 2018, we had approximately 416,000 active buyers in approximately 60 countries and greater than 80% of our

GMV came from repeat buyers. As we continue to unlock exclusive luxury supply, we expect to attract new buyers and drive repeat purchases from our existing buyers.

- *We offer a seamless buying experience.* Buyers access our omni-channel online marketplace through our website, mobile app and retail stores, enabling them to purchase anytime, anywhere. In 2018, 57%, 39% and 4% of our total GMV was purchased using mobile devices, on our website and in our retail stores, respectively. Our platform is easy to navigate and provides buyers the ability to customize their own personalized product feeds and curate highly coveted items into their *Obsessions* page where they can view all of their favorite items together.
- *We build trust by expertly authenticating every item.* We employ more than 100 gemologists, horologists, brand experts and art curators. Our authenticators are highly trained, experienced experts in their respective fields. Each item we receive is put through a rigorous, multi-point authentication process before it is curated onto our online marketplace. As a result, we believe we have become the most trusted online marketplace for pre-owned luxury goods.
- *We provide access to unique, highly coveted and exclusive products.* We provide buyers with access to a vast, yet curated selection of unique, authenticated, pre-owned luxury goods. In 2018, we sold goods bearing the brand of over 7,000 luxury and premium designers, including highly coveted items such as rare watches and handbags. Buyers come back to our online marketplace time and again to experience the “thrill of the hunt” and ensure that they do not miss out on their *Obsessions*.

***Proprietary Technology Platform to Manage Complex Single-SKU Logistics***

Technology powers all aspects of our business, including our complex, single-SKU inventory management system. Our supply comes from thousands of individual consignors across the United States. Each item we sell is a truly unique single-SKU and is exclusively available on our online marketplace. We have processed up to 14,000 single-SKUs a day in 2018. Given the complexity of our inventory model, we developed and continuously innovate specialized, proprietary applications to optimize inbound processes, such as authentication, copywriting, photography and photo-editing. We increasingly use our technology platform to automate pricing for goods sold through our online marketplace.

We developed *RealReal 360*, an innovative commerce solution, to provide a single, real-time view of buyers, consignors and all luxury goods available on our online marketplace across digital and physical channels. This allows us to optimize our product availability as each unique item on our online marketplace has multiple demand points. Further, our store experts have access to a complete buyer history, which enables them to provide a truly personalized experience.

***Proprietary Data Asset and Powerful Algorithms***

Our online marketplace generates and aggregates hundreds of millions of unique data points, including data from approximately 400 million item views in 2018 and approximately 9.4 million item sales since inception. Each consigned item also has up to 50 unique attributes including designer, style, color and condition. Informed by this data, we develop proprietary algorithms and business processes to optimize our operations, including supply sourcing, merchandising, authentication, pricing and marketing.

***Focus on Luxury to Expand the Market and Create a More Sustainable World***

Luxury goods retain value over time as a result of their enduring desirability and durability, making them particularly well-suited for resale. We offer important benefits to both the new and resale luxury markets, including the following:

- *We provide a gateway to luxury brands.* We believe we are expanding the overall market for both new and pre-owned luxury goods as the ability to experience and engage with luxury brands through our

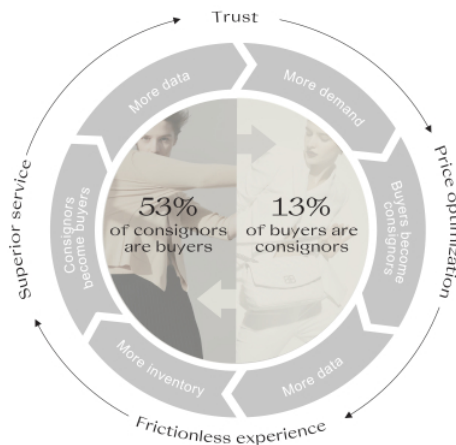
online marketplace results in an earlier appreciation for high-quality, well-crafted items and inspires consumers to purchase new luxury items. While we presently have no contractual or other affiliations with luxury brands other than our partnership with Stella McCartney, we believe our online marketplace cultivates customer relationships for luxury brands.

- *We promote sustainability and a circular economy.* We are committed to extending the lifecycle of luxury goods by promoting their recirculation, rather than creating waste. This is an increasingly important consideration given that every second, the equivalent of one garbage truck of textiles is either landfilled or burned, according to the Ellen MacArthur Foundation. Our survey data indicates that approximately 32% of buyers shop The RealReal as a replacement for fast fashion. By creating a circular economy and reshaping consumer purchasing behavior, we contribute to a more sustainable world.

**Our Competitive Strengths**

**Scale and Powerful Network Effects**

We are the largest online marketplace for authenticated, consigned luxury goods. We expect to maintain our leadership position by increasing our scale, thereby amplifying the network effects between consignors and buyers. In addition, as buyers become consignors and vice versa, we create a unique flywheel that further accelerates our momentum. Through March 31, 2019, 53% of our consignors are buyers and 13% of our buyers are consignors.



**Trust**

Trust is the cornerstone of our online marketplace. Consignors trust that we will treat their items with the utmost care and quickly sell them at the optimal price. Buyers trust us because we have a rigorous authentication process. We believe the trust and personal relationships that we have built with both consignors and buyers over the past eight years cannot be easily replicated.

***End-to-end Service***

We make consignment easy, convenient, reliable and fast by offering an end-to-end service that drives existing consignors to consign more frequently and attracts new consignors to our online marketplace. We provide world-class customer service to drive repeat purchases from our existing buyers and attract new buyers.

***Efficient, Technology-enabled Operations at Scale***

Over the past eight years, we have invested significant resources to optimize our logistics, processes and purpose-built, proprietary technology platform, which enables us to efficiently manage the unique complexities of our operational model at scale. In addition, with a real-time, single view of our consignors and buyers and the products on our online marketplace, we are able to provide a superior, personalized service for our consignors and buyers.

***Data-driven Insights***

Our proprietary data and algorithms provide us with operational insights that continuously enhance our consignor and buyer experiences. Through these insights, we are able to identify market trends early and incentivize our sales professionals to obtain on-trend, highly coveted merchandise. For consignors, we provide optimal pricing and sales velocity, resulting in higher commissions. For buyers, we source and curate the most desirable products and offer constant newness, which results in high engagement, demand and conversion.

***Innovative, Founder-led Management Team***

We are led by our CEO, Julie Wainwright, who founded The RealReal with a vision to transform the luxury resale experience. In addition, our management team is comprised of senior executives who have significant experience in the ecommerce, retail and technology industries, with an average experience of 21 years. We have built a culture of innovation and entrepreneurship where inspired people thrive. Our employees think creatively, act collaboratively and use technology and data to solve problems.

***Growth Strategies***

Key components of our growth strategy include:

***Attract New Consignors and Buyers***

We believe there is a significant opportunity to expand our customer base, and we will continue to invest in acquiring consignors and buyers efficiently. We believe we are significantly underpenetrated in the U.S. market given that our consignors and buyers span broad income and age ranges and geographies. There were 58 million U.S. households with annual incomes of more than \$50,000 in 2017, according to the U.S. Census Bureau. As of December 31, 2018, our active buyers represented less than 1% of these households, leaving significant opportunity for us to grow. Through our targeted, data-driven marketing efforts we generate meaningful returns on our consignor and buyer acquisition investments. In addition, we intend to expand our White Glove service to new markets to attract more consignors and unlock more pre-owned luxury supply, thereby attracting more buyers.

***Increase the Lifetime Value of Consignors and Buyers***

We intend to increase the lifetime value of our consignors and buyers by driving repeat consignment and purchase frequency. For consignors, we cultivate lasting relationships through our sales professionals to encourage more frequent consignment. For buyers, we drive repeat purchases by enhancing our product selection, providing luxury service and leveraging our data insights to increase personalization and conversion.

We also increase lifetime value by encouraging consignment and purchases across multiple categories. In addition, converting consignors into buyers and vice versa accelerates the powerful flywheel that drives our online marketplace and leads to greater value per customer.

***Amplify The RealReal Brand***

With aided brand awareness among consumers of luxury and premium goods at only 21% in 2018, we have a significant opportunity to increase the visibility of our brand. We will continue to invest in brand marketing campaigns and deepen our connection with our consignors and buyers. We also rely on word of mouth to amplify brand awareness and thus continue to focus on customer satisfaction. We achieved a buyer NPS of 74 as of February 2019, indicating that buyers view their experiences positively and would recommend to others.

***Increase Penetration in Existing Categories***

Our women's category accounted for approximately 67% of our GMV in 2018. We intend to deepen our penetration in other high-value categories such as men's, jewelry and watches, and home and art. We strive to enhance our product offering in these categories by leveraging our existing relationships with consignors to unlock supply across multiple categories. For buyers, we facilitate discovery and purchase outside of our core women's category by curating dynamic multi-category feeds on our website and mobile app daily.

***Continuing to Invest in Innovation and Infrastructure***

We will continue to invest in technology, data analytics and infrastructure to drive innovation. This includes continuing to optimize our merchandising operations and automation capabilities with respect to pricing, authentication, photo-editing and copywriting. To enhance the experience for our consignors and buyers and drive frequent engagement with our online marketplace, we will continue to refine our approach to data analytics. We also plan to continue investing in our merchandising and fulfillment facilities and logistics infrastructure to optimize single-SKU processing.

***Strategically Expanding Offline***

We believe the future of luxury resale will be defined by an increasingly frictionless, personalized, omni-channel discovery and purchasing experience. We currently operate three retail stores and eleven LCOs, three of which are located in our retail stores. We believe there is opportunity to expand to additional markets where we can unlock high-quality, pre-owned luxury supply, build our brand and drive incremental GMV. We continuously evaluate the performance of our retail stores by tracking their impact on consignor and buyer acquisition cost, brand awareness, consignor and buyer repeat purchase behavior, incremental supply sourced and GMV. Given the favorable performance of our retail stores to date, we intend to expand our footprint in the future.

***Growing International Presence***

As we continue to build our brand and scale our platform in the United States, we believe international demand for our online marketplace will also continue to increase. In 2018, international sales contributed only approximately 4% to our GMV. The international luxury market accounts for nearly 78% of the total global luxury market according to Bain. We may elect to invest in international operations and marketing. In addition, we may also selectively pursue targeted acquisitions to enter new geographies.

***How Our Business Works***

We operate the largest online marketplace for authenticated, consigned luxury goods. We authenticate every item we sell and deliver on our standard of world-class service by leveraging our technology platform and data

analytics capabilities to source supply, merchandise and fulfill orders. We have developed and refined our capabilities and processes to efficiently manage the unique operational aspects of our business, especially our single-SKU inventory model.

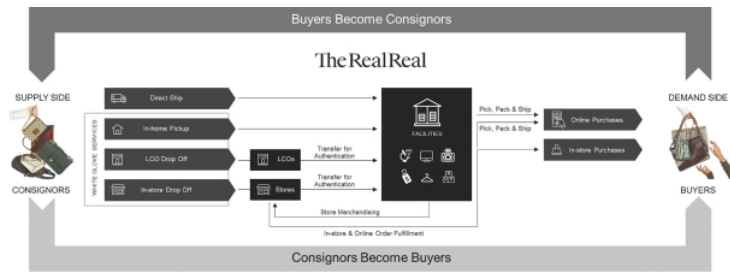
#### **Sourcing Supply from Our Consignors**

Our unique service model unlocks a significant amount of exclusive pre-owned luxury supply from consignors' homes because we make the process easy. In the second half of 2018, approximately 40% of our consignors were new to consigning because they were unaware of consignment as a way to efficiently monetize existing goods in their homes or they did not want the hassle of traditional brick-and-mortar consignment models or online-only peer-to-peer marketplaces. Our personalized level of support removes friction from the consignment process, making it easy, convenient, reliable and fast.

Our team of sales professionals ensures that we deliver a consistent flow of high-quality, pre-owned luxury supply. We keep a dynamic directory of thousands of luxury and premium contemporary designers that we use as a guideline for curating products that our buyers want. We drive the majority of our GMV through our White Glove channel which provides the highest level of service to consignors. Consignors who use our White Glove channel are highly valuable as they typically consign higher value items and do so more frequently.

Consignors can access our online marketplace through a variety of channels:

- *White Glove.* Consignors who have a greater number of items from designers in our directory or higher value items are eligible for our complimentary White Glove service in most major metropolitan areas across the United States. We provide this service in the following manner:
  - *In-home.* Consignors make an appointment with one of our luxury managers and receive a complimentary consultation in their home. Our luxury managers advise on the process, as well as provide price estimates, expected selling time and trend advice. They also arrange for the consigned items to be securely transported to one of our merchandising and fulfillment facilities. Our home and art curators are also available for complimentary, in-home or virtual consultations.
  - *Luxury consignment offices.* We operate eleven LCOs in the following key luxury gateway cities: New York, Los Angeles, San Francisco, Dallas, Miami, Chicago and Washington D.C. Our gemologists, horologists, brand experts and art curators offer complimentary valuations on luxury items in a no-pressure environment. Consignors can schedule an in-person appointment with one of our experts and learn how much their luxury items are worth, ask questions and, if they choose, easily consign on the spot. We offer consignors a valuation document to keep for their records.
  - *In-store.* We operate three retail stores, two in New York and one in Los Angeles, where consignors can meet with experts in person to learn more about the consignment process, receive a complimentary consultation or valuation or drop off items.
- *Free direct shipping.* Consignors with fewer items from designers in our directory or those who live in areas where White Glove service is not yet available can ship their items to us for free. We provide virtual consultations over the phone or through video conferencing. We send a free shipping label and, upon request, a consignment kit. For fine art pieces, consignors can send us photographs and information. Our art curators will research the piece, provide an estimated price and arrange for pickup by a reputable art shipper so the item can be authenticated and inspected at one of our four facilities.



Our consignors have access to My Sales, a dynamic, real-time dashboard that enables them to track the status of their items. We also provide frequent communication with our consignors at each step of the process and keep them engaged with interesting facts, such as which consigned items were most obsessed over or sold most quickly.

**My Sales**

**Consignment Process**



Substantially all of our supply comes from individual consignors. As of December 31, 2018, approximately 80% of our consignors were female, approximately 81% had a household income above \$50,000 and approximately 46% were under 45 years old. We selectively engage with business sellers in certain categories.

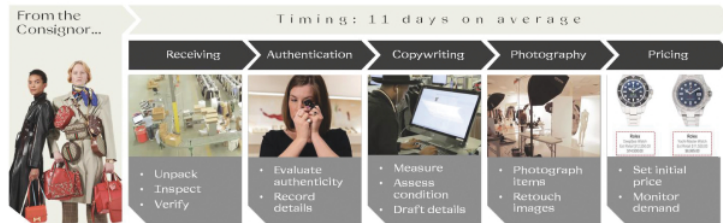
As of March 31, 2019, our sales team consisted of 379 employees.

**Data-driven Merchandising**

Our merchandising process starts before we take possession of consigned items. Our merchandising team works closely with our sales professionals to drive favorable unit economics by optimizing the mix of designers, categories, price points and units. Our data analytics capabilities enable us to forecast potential opportunities in supply and proactively incentivize our sales professionals to obtain coveted, on-trend items. Additionally, historical transaction data informs us of items that we should not accept due to a low probability of sale. Throughout the process, our consignors are educated on which designers, styles and colors retain value over time, which influences their purchasing behavior when buying new or pre-owned luxury goods in the future.

Once we receive consigned items, our merchandising team leverages our technology platform and data analytics capabilities for a first point of authentication and to efficiently write copy, photograph and price the items before they are curated onto our online marketplace.

**Inbound Merchandising Operations**



- **Authentication.** We authenticate every item we sell to continue building trust in our online marketplace. We employ over 100 highly trained gemologists, horologists, brand experts and art curators who collectively inspect thousands of items each day. All items pass through a rigorous multi-point, brand-specific authentication process before they are accepted for consignment. This process includes inspecting the item for attributes such as appropriate brand markings, date codes, serial tags and hologram stickers. Our gemologists and horologists authenticate and inspect our fine jewelry and watches, and each piece comes with an authentication certificate. In addition, our team of fine art curators and specialists research and validate art pieces for authenticity. We have a zero-tolerance policy when it comes to counterfeit goods. Items that are deemed to be counterfeit are confiscated. We are working with the University of Arizona to develop proprietary technology to inspect gemstones faster and more accurately, without unmounting the stone.
- **Photography and copywriting.** Because we take possession of each item, we are able to accurately and consistently describe the item and its condition, as opposed to online-only peer-to-peer resale models. Our items are professionally photographed and presented in a visually appealing manner to encourage engagement and conversion.

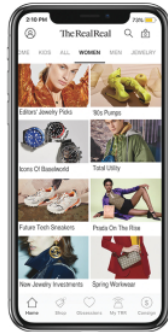


- Pricing.** Leveraging our database of approximately 9.4 million historical item sales and current market data, we price items to optimize value and sales velocity. We use proprietary algorithms to optimize pricing based on factors such as designer, category, age, condition, color and current market demand. Increasingly, we are using our technology platform to automate pricing of the goods sold through our online marketplace. We also provide human oversight of the pricing process, which allows us to recognize and appropriately adjust for real-time changes in market trends. For example, if a designer is trending, we can adjust the price accordingly. For high-value items, we recommend a price that the consignor must approve before the item goes live on our online marketplace.

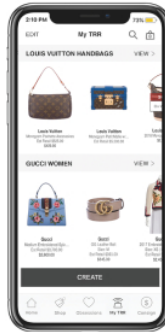
Our buyers desire newness and the ability to easily browse our vast selection of products. In 2018, we added approximately 2.6 million new items to our online marketplace, providing buyers with a constant stream of new listings. Editorial features based on trends, style and heritage encourage exploration and discovery across designers and categories. These dynamic daily curations emphasize storytelling and celebrate luxury, for example: Men’s Future Tech Sneakers, The Luxe Diamond Edit, Watches for Every Occasion and Prada on the Rise.

In order for buyers to efficiently browse our vast selection of authenticated, pre-owned luxury goods, we built specialized features to allow for the curation of multiple personalized feeds based on individual preferences and collection of favorite items (“Obsessions”), into one place. Buyers can filter by criteria such as size, designer, color, style, category, price and condition making it easy and fast to find exactly what they are looking for. When buyers find an item they want to consider purchasing, they can click on the heart icon to add it to their *Obsessions*. Having a side-by-side view of favorite items provides a helpful way to visualize how they will look together in an outfit. In addition, once items are added to *Obsessions*, buyers automatically receive notifications via email or mobile app to indicate when items go on sale. *Obsessions* are a key driver of conversion to purchase. In 2018, *Obsessions* drove 36% of GMV.

Dynamic Daily Curation



Customizable Feeds



Obsessions



Our merchandising team is also responsible for delivering a seamless omni-channel experience and ensuring customer satisfaction while driving conversion and sales velocity. As of March 31, 2019, our merchandising operations and core merchandising teams consisted of 480 and 326 employees, respectively.

#### **Fulfillment and Logistics**

Our fulfillment and logistics team ensures that orders are efficiently and accurately picked, packed, shipped and delivered to buyers. In 2018, we shipped more than 3 million units at an average of over 8,500 items per business day. In the fourth quarter of 2018, more than 95% of packages were shipped within 24 hours of receiving the order. We are able to ship to and service buyers in approximately 60 countries. We have a proven track record of leveraging our technology platform to build proprietary order and warehouse management systems and scale our single-SKU model. Our three facilities in New Jersey and one in California provide a scalable and flexible infrastructure to deliver merchandise quickly and efficiently to our buyers and help reduce shipping and fulfillment expenses. Our fulfillment and logistics processes create a consistent and reliable buying experience that drives loyalty and repeat purchases. As of March 31, 2019, our fulfillment and logistics team consisted of 321 employees.

#### **Customer Service and Consignor Relations**

Our deep commitment to service enables us to offer a luxury experience for our buyers and consignors. Our customer service and consignor relations teams interact with buyers and consignors by phone and email. Customer service representatives provide an exceptional experience for buyers by addressing questions relating to orders, deliveries and returns, as well as condition, style and fit. Consignor relations managers address questions relating to the consignment process and commission payments. We have achieved buyer and consignor NPS of 74 and 60, respectively, as of February 2019. As of March 31, 2019, our customer service and consignor relations teams consisted of 82 employees.

#### **Commission Structure and Loyalty Program**

Our *RealReal Rewards* program drives loyalty as consignors earn more when they consign more. *RealReal Rewards* commission rates are generally based on net sales during a one-year commission window and are dynamically adjusted to reflect conditions in the market and the evolution of our business model. Currently, commission rates range from 55% for consignors who generate less than \$1,500 in net sales during such one-year period to 70% for consignors who generate \$10,000 or more in net sales during such one-year period. For certain items, our commission structure is also based on a set of pre-defined criteria, such as category and value. Item level commission rates currently range from 40% for all items with an original resale list price of \$145 or less to 85% for watches with a resale list price of \$2,500 or more.

#### **Buyer Engagement**

We have a global buyer base that engages with us through our website, mobile apps for both iOS and Android devices and retail stores. By offering highly coveted luxury brands and providing a seamless omni-channel experience, we are able to both attract first-time buyers who have never purchased pre-owned luxury and drive repeat purchases from our existing buyer base.

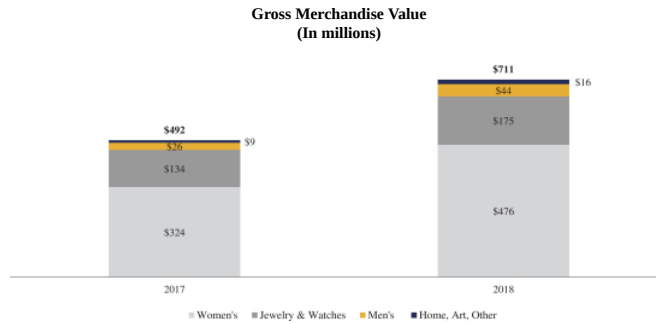
Our mobile app and mobile-enabled website have empowered our buyers to browse and purchase on our online marketplace anytime, anywhere. Mobile has become the primary channel for new buyers, representing a majority of purchases. The strong engagement from our buyers on mobile is further evidenced by the time they spend browsing. Buyers who purchase in a given month spent approximately 35 minutes on our mobile app and 26 minutes on our mobile website per day visited between December 2018 and February 2019.

Our *First Look* program provides members with access to our newest items 24 hours in advance of general members for a fee of \$10 per month. In addition to early access, members also receive special invitations to monthly promotions and 24 hour advance waitlist notifications. In 2018, we generated 19% of GMV from our *First Look* members.

Approximately 70% of our buyers are new to buying pre-owned luxury. As of December 31, 2018, approximately 72% of our buyers were female, approximately 77% of our buyers had an annual household income of at least \$50,000 and approximately 48% were under 45 years old.

**Our Product Assortment**

As of March 31, 2019, we offered over 620,000 unique, authenticated, pre-owned luxury goods on our online marketplace bearing the brand of over 5,500 luxury and premium designers. The top-selling luxury designers on our online marketplace include Cartier, Chanel, Christian Louboutin, Gucci, Hermès, Louis Vuitton, Prada, Rolex, Tiffany & Co. and Valentino. We offer products across multiple categories including women’s, men’s, kids’, jewelry and watches, and home and art.



**Our Marketing Approach**

We acquire new buyers and drive traffic to our website primarily through a mix of digital, television, direct mail and other direct response marketing channels. In 2018, approximately 49% of our desktop and mobile web new user sessions originated from organic channels, which included organic search and direct website access. We collect buyer response data by channel at every step of the purchasing process. By understanding how buyers respond to our campaigns, we are able to quickly adapt and optimize our marketing approach. We devote considerable resources to multi-variate testing to continuously improve the buyer experience and drive conversion. Our data-centric approach has led us to focus on accelerating mobile growth, which has proven to be an efficient acquisition channel.

We retain buyers through a variety of non-paid channels including mobile “push” notifications, email and non-paid social media. Based on purchase history, we are able to create a unique profile for each individual buyer that allows us to understand which items they are more likely to purchase. We know their preferences from their customized feeds and *Obsessions* so we can recommend products to them in a more personalized manner. We monitor satisfaction on a daily basis to continuously improve our buyer experience.

We acquire new consignors primarily through lead generation campaigns and targeted email communications, referrals, behavior targeting and promotional incentives. We market to our growing base of approximately 10 million members who are already familiar with our online marketplace in order to convert them into consignors and buyers.

We are able to efficiently reach and retain existing consignors without spending significantly on paid marketing efforts. We retain consignors through a variety of non-paid marketing channels, including mobile “push” notifications, email, programmatic retargeting campaigns, non-paid social and our loyalty program, *RealReal Rewards*. In addition, we strive to convert our buyers into consignors and consignors into buyers to further propel our flywheel.

We carefully monitor and track consumer trends and brand affinity on our online marketplace. We compile these trends into periodic reports and make them readily available on our website. These reports are widely covered by a broad range of mainstream and industry focused media outlets, further establishing our credibility and thought-leadership in the luxury resale market and amplifying our brand awareness.

As of March 31, 2019, our marketing team consisted of 28 employees.

#### **Technology and Data**

Our proprietary technology platform is purpose-built to be high-performing, scalable and flexible. It forms the foundation of our merchandising, marketing, logistics and fulfillment operations. We built our platform using a modern architecture to efficiently manage the unique operational aspects of our business, including our complex single-SKU inventory model. We continue to enhance the architecture on which our platform is built to support the growth of our business. For example, we invested in building an event-driven architecture that has enabled us to scale our technology organization to deploy unique solutions such as in-store point of sale and mobile apps. Our platform seamlessly integrates key functional areas and creates optimized solutions that allow us to continuously improve the consignor and buyer experience, enhance operational efficiencies and drive innovation across our organization.

Our technology organization is composed of highly efficient, agile and autonomous teams. They deliver value to our business through a relentless focus on our three main stakeholders: consignors, buyers and employees. Each team delivers functionality to our platform using modern development and deployment methodologies. To continuously improve the quality of our solutions, our teams extensively test new features to measure their impact and constantly iterate on new features and functionality. We use open source software and third party vendors whenever possible to ensure that in-house development resources are focused on areas that are strategic to our business.

Our proprietary technology platform includes the following:

#### **Massive Data Asset**

Data drives all decision-making in our organization. Over the past eight years, we generated and aggregated hundreds of millions of data points from millions of interactions and approximately 9.4 million item sales with up to 50 attributes per item. We also collect data directly at each step of our interaction with consignors and buyers, learning their preferences and allowing us to offer a more personalized experience. In addition, our data allows us to better understand supply and demand trends, automate key merchandising processes and support our authentication efforts.

#### **Proprietary Processes and Algorithms**

To continue building scale, we are automating key processes by using machine learning algorithms and computer vision, including image recognition. For example, we have increasingly automated pricing for items on our online marketplace. In addition, we leverage rule-based algorithms to enhance risk assessment as a first step in the authentication process. Our investments in building proprietary processes and automation enable us to continue scaling our inbound operations efficiently.

***Real-time, Single View of Products Available on Our Online Marketplace***

To maximize the exposure of a single item, all items on our online marketplace are available through multiple demand points, including our website, mobile app and retail stores. Because we only have one of each item, we built a technology solution, *RealReal 360*, to resolve instances where there are multiple demand points against a single-SKU. *RealReal 360* enables a real-time, single view of products available on our online marketplace across all possible demand points. For example, when a buyer in one of our retail stores begins to purchase an item, our system instantly updates the item's status on our website and mobile app to ensure the item will not be sold to another buyer.

***Single View of Consignors and Buyers***

Through *RealReal 360*, we also have a single view of our consignors and buyers across all touchpoints, including website, mobile app, LCOs and retail stores. A unique profile is created for each consignor and buyer, allowing us to personalize every interaction. For example, when a buyer visits one of our retail stores, the sales associate can easily access his or her *Obsessions* and view previous purchases and consignments. The sales associate is then able to understand the buyer's preferences and tailor recommendations according to specific items that are available in the store.

***Our Unique Consignor Tracking and Payment System***

In order to ensure timely and accurate payments to our consignors each month, we developed an automated, rule-based consignor tracking and payment system. This system takes into account factors such as the cumulative value of previous consignments, item level commission rates, application of promotional discounts and the time period in which the item sold.

As of March 31, 2019, our technology and product teams consisted of 132 employees.

***Our Retail Stores***

We operate a retail store in each of West Hollywood in Los Angeles, California, and SoHo and Upper East Side in New York, New York. Our stores are located in highly desirable, densely populated locations with strong foot traffic. For consignors, our retail stores provide an alternative location to drop off consigned items and an opportunity to interact with our experts. Our buyers experience world-class service, surrounded by a beautifully designed space, where they can shop our dynamic curation of authenticated pre-owned luxury goods across all of our categories. To continue strengthening and building our connection with consignors and buyers, we offer complimentary experiential events where we invite our community to meet with our experts and discuss topics, such as *Is Your Handbag the Real Deal?*, *Collecting Art & Design: Where to Begin*, and *Ask A Stylist: How To Wear The Biggest Trends Of Spring 2019*.

Our retail stores also serve as fulfillment centers as items we offer in our stores are also sold online. We are able to quickly and accurately fulfill orders from our retail stores using radio frequency identification technology ("RFID"), which helps sales associates quickly locate items. The RFID technology enhances inventory control in a physical retail environment.

We are able to leverage the investment in our retail stores to improve the growth in a given market. For example, our SoHo store generated approximately \$2,450 in GMV per square foot and approximately \$3,000 in supply per square foot in 2018. Additionally, retail stores improve unit economics by acquiring higher value buyers and consignors, increasing lifetime value and lowering return rates. We also benefit from increased brand awareness that accelerates overall market growth.

### Our Culture and Team

We are a team of passionate, mission-driven individuals who lead with a growth mindset. An entrepreneurial spirit permeates all aspects of our company. Our commitment to extending the lifecycle of luxury goods is grounded in data analytics and world-class customer service. Our cross-functional teams specialize in creative thinking, nimble execution and solving unique challenges such as scaling our single-SKU inventory model. We are not afraid to experiment, and we embrace constant iteration and improvement.

We are proud that our employee and director population is gender diverse. As of March 31, 2019, 68% of our employees and 67% of our director-level employees were female. We support and celebrate all diversity. Our diversity is a reflection of our culture and the skills necessary to build and grow an innovative online marketplace that is revolutionizing the luxury resale market and reshaping consumer purchasing behavior.

### Our Values

Our core values drive our business:

- **We are curious, creative and dynamic.** We believe that creative thinking surfaces the best ideas. We are inspired to create, invent and iterate on ways to drive our business forward.
- **We advocate growing our people from within.** We offer opportunities for all experience levels. We empower our employees with increasing responsibility and instill accountability while providing the freedom to experiment and innovate.
- **We embrace and celebrate diversity.** We are a welcoming and inclusive company.
- **We are data-driven.** We are thinkers and analyzers who are results-driven.
- **We are obsessed with service.** We provide our consignors and buyers with the ultimate luxury experience.
- **We respect luxury brands.** We seek to honor the enduring heritage of luxury brands.

### Our Sustainability Efforts

Sustainability is woven into the fabric of our business. We believe a growing awareness of the environmental impact of recirculating luxury goods significantly contributes to the appeal of consigning and purchasing on our online marketplace. Based on our survey data, 56% of our consignors base and 64% of our Millennial consignor base cite environmental impact or extending the lifecycle of luxury as key motivators for consigning with us.

Our sustainability efforts include:

- **Ellen MacArthur Foundation.** We are a member of the Ellen MacArthur Foundation Circular Economy 100 USA, which connects organizations that are rejecting the traditional linear economy in favor of a self-sustaining circular economy. This network brings together a diverse set of stakeholders to encourage collaboration on issues related to sustainability. The Ellen MacArthur Foundation advised us on the methodology used to create our proprietary Sustainability Calculator, which quantifies the greenhouse gasses, energy output and water usage offset by the most popular items consigned on our platform.
- **United Nations Climate Change's Fashion Industry Charter for Climate Action.** In April 2019, we became the first company in the resale industry to join the UN Climate Change's Fashion Industry Charter for Climate Action, which aims to limit global warming within the fashion industry and inspire climate action. The Charter endeavors to achieve a 30% reduction in carbon emissions in the fashion industry by 2030 and net-zero emissions by 2050. We are helping to create a clear path to achieve the actions outlined in the Charter by joining the Charter's working group on promoting broader climate action.

- **National Consignment Day.** We founded National Consignment Day as a national recognition day that occurs on the first Monday of October. National Consignment Day celebrates the positive impact consigning has on the environment. Each year we create a National Consignment Day campaign as an opportunity to encourage people to consign.
- **Brand partnerships.** Our partnership with Stella McCartney demonstrates our value in the luxury ecosystem and encourages consignment by giving a credit to consignors to be applied to a new purchase when they consign a Stella McCartney item.
- **Sustainability Calculator.** In 2018, we launched our Sustainability Calculator on National Consignment day as a tool to quantify the positive impact consignment has on the planet. This calculator, vetted by sustainability experts, focused solely on women's apparel and measured the impact of 3.2 million items of women's clothing items consigned to The RealReal since inception. In 2018, we estimate that our environmental savings since inception equated to 87 million driving miles in greenhouse gas emissions and energy savings and 329 million liters of water. This equals a savings of 3,494 trips by car around the world or 1.39 billion eight-ounce glasses of water.

#### **Competition**

Although we have built a scaled and highly differentiated online marketplace model, we face competition from both online and offline resale players. We have indirect competitors in two primary categories:

- **Technology-enabled companies.** We compete indirectly with technology-enabled companies that may attract sellers by enabling commerce, such as eBay and traditional physical retailers who have increasingly broadened their ecommerce platform.
- **Luxury resellers.** Luxury resellers with whom we compete include brick-and-mortar consignment stores, pawn shops and auction houses, such as Sotheby's, as well as niche or single category luxury resellers.

We compete primarily on the basis of consignor and buyer experience, product authenticity, quality and assortment, breadth of brand offering, convenience and price. We believe that we are able to compete effectively because we offer consignors an easy, convenient, reliable and fast way to monetize their goods. For buyers, we offer a vast selection of unique, high-quality, authenticated, pre-owned luxury goods at compelling prices.

#### **Intellectual Property**

Our intellectual property, including copyrights and trademarks, is an important component of our business. We rely on trademark, copyright, trade secrets, patents, confidentiality agreements and other practices to protect our brands, proprietary information, technologies and processes. We primarily rely on copyright and trade secret laws to protect our proprietary technologies and processes, including the algorithms we use throughout our business. Our principal trademark assets include the registered trademark "The RealReal" and our logos and taglines. Our trademarks are valuable assets that support our brand and consumers' perception of our services and merchandise. We also hold the rights to the "therealreal.com" Internet domain name and various related domain names, which are subject to Internet regulatory bodies and trademark and other related laws of each applicable jurisdiction. We continually review our development efforts to assess the existence and patentability of new intellectual property and intend to pursue patent protection to the extent we believe it would be beneficial and cost-effective.

We control access to and use of our intellectual property through confidentiality procedures, non-disclosure agreements with third parties and our employment and contractor agreements. We rely on contractual provisions to protect our proprietary technology, brands and creative assets with consignors and buyers.

**Facilities**

Our corporate headquarters are located in San Francisco and are leased for a term that expires in 2025 with a right of renewal. We lease an aggregate of approximately 1 million square feet of space for storage, merchandising operations and fulfillment located in California and New Jersey. The lease to our California facility expires in 2021 and leases to our New Jersey facilities each expire in 2029, all with a right of renewal. We lease additional offices located in New York City and LCOs located in Chicago, Dallas, Los Angeles, Miami, New York, San Francisco and Washington D.C. We also have three retail stores located in Los Angeles and New York.

**Legal proceedings**

We are from time to time subject to, and are presently involved in, litigation and other legal proceedings.

On November 14, 2018, Chanel filed a lawsuit against us in the U.S. District Court for the Southern District of New York bringing various trademark- and advertising-related claims under the Lanham Act and New York state law analogues. Chanel alleges that our resale of Chanel products confuses consumers into believing that Chanel is affiliated with us and involved in authenticating consignors' goods and that only Chanel is capable of authenticating second-hand Chanel goods. Chanel alleges, in particular, that we have made false representations concerning the Chanel-branded goods sold on our platform and that a number of these goods were counterfeit. The lawsuit seeks money damages as well as injunctive relief. We intend to vigorously defend this lawsuit and believe we have meritorious defenses.

We are also subject to employee-related claims under state and federal law, including claims for discrimination, wrongful discharge or retaliation and claims for wage and hour violations under the Fair Labor Standards Act or state wage and hour laws.

There are inherent uncertainties in these legal matters, some of which are beyond management's control, making the ultimate outcomes difficult to predict. Moreover, management's views and estimates related to these matters may change in the future, as new events and circumstances arise and the matters continue to develop.

**The RealReal Foundation**

The RealReal Foundation is an independent non-profit organization. We will contribute 1% of the net proceeds of this offering to The RealReal Foundation. The RealReal Foundation's mission is to foster the mentoring of women CEOs, support and guide boys and girls into becoming the next generation of leaders and provide scholarships to support students in need.



MANAGEMENT

**Executive Officers and Directors**

The following table sets forth information concerning our executive officers and directors as of June 17, 2019.

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
<b>Executive Officers</b>		
Julie Wainwright	62	President, Chief Executive Officer and Chairperson
Fredrik Björk	40	Chief Technology Officer
Dana DuFrane	55	General Counsel
Matt Gustke	45	Chief Financial Officer
Rati Sahi Levesque	38	Chief Operating Officer
<b>Non-Employee Directors</b>		
Chip Baird(2)(3)	47	Director
Maha Ibrahim(1)	48	Director
Rob Krolik(1)	50	Director
Michael Kumin(2)(3)	47	Director
Stefan Larsson(3)	44	Director
Niki Leondakis(2)	58	Director
James Miller(1)	55	Director

(1) Member of our audit committee  
 (2) Member of our compensation committee  
 (3) Member of our nominating and governance committee

**Executive Officers**

*Julie Wainwright* founded The RealReal in March 2011 and has served as our Chief Executive Officer and the Chairperson of our board of directors since March 2011. Previously, Ms. Wainwright served as Chief Executive Officer of SmartNow.com, an online health and wellness company, from February 2008 to January 2011, as President and Chief Executive Officer of Bellamax, a photo-editing software company, from August 2003 to November 2006 and as Interim Chief Executive Officer of OntheFrontier, a firm providing strategic consulting for emerging growth countries, from 2001 to 2002. Prior to OntheFrontier, she served as Chief Executive Officer of Pets.com, an online pet supply company, from February 1999 to January 2001. Ms. Wainwright holds a B.S. in General Management from Purdue University.

Ms. Wainwright was selected to serve on our board of directors because of the perspective and experience she brings as our Chief Executive Officer and as the founder of The RealReal.

*Fredrik Björk* has served as our Chief Technology Officer since May 2016. Previously, Mr. Björk served as our Vice President of Engineering from September 2013 to May 2016. Mr. Björk holds a B.S. in Information Technology from Rochester Institute of Technology.

*Dana DuFrane* has served as our General Counsel since September 2018. Previously, she served as our Vice President, Legal from November 2015 to September 2018. Prior to joining The RealReal, Ms. DuFrane served as the General Counsel of Ecologic Brands, a sustainable packaging company, from July 2014 to August 2015 and as Counsel and Head of HR at Imergy Power Systems, an energy storage company, from December 2013 to August 2014. Ms. DuFrane was previously Assistant General Counsel at Sun Microsystems, a computer software and hardware company and subsidiary of Oracle Corporation, an enterprise technology company, from 2000 to 2006. Ms. DuFrane holds a B.A. in International Affairs from the University of Colorado, Boulder and a J.D. from Santa Clara University.

*Matt Gustke* has served as our Chief Financial Officer since April 2013. Prior to joining The RealReal, Mr. Gustke served as the Chief Financial Officer and Head of Strategy at StubHub, an online ticket exchange company and subsidiary of eBay, an online marketplace and payments company, from January 2010 to April 2013. Mr. Gustke holds a B.S. in Finance and Entrepreneurial Management from the Wharton School at the University of Pennsylvania.

*Rati Sahi Levesque* has served as our Chief Operating Officer since April 2019 and served as our Chief Merchant from May 2012 to March 2019. Previously, Ms. Levesque served as our Director of Merchandise from May 2011 to May 2012. Prior to joining The RealReal, Ms. Levesque was the owner of Anica Boutique, a clothing boutique, from June 2005 to May 2011. Ms. Levesque holds a B.S. in Business Management Economics from the University of California, Santa Cruz.

**Non-Employee Directors**

*Gilbert L. (Chip) Baird III* has served on our board of directors since June 2018. Mr. Baird co-founded and has been the Co-head of PWP Growth Equity, the middle market private equity group of Perella Weinberg Partners Capital Management, since February 2012. Mr. Baird also serves on the boards of a number of private companies. He has also previously served as a director of RE/MAX Holdings, an international real estate franchisor company, from July 2013 to February 2015. Mr. Baird holds a B.S. in Finance and International Business from the Pennsylvania State University and an M.B.A. from Harvard Business School.

Mr. Baird was selected to our board of directors because of his experience in finance and capital structure.

*Maha Ibrahim* has served on our board of directors since July 2012. Ms. Ibrahim is currently a General Partner at Canaan Partners, an early stage venture capital firm, a position she has held since March 2000. Ms. Ibrahim also serves on the boards of a number of private companies. Ms. Ibrahim is also a trustee for the Carnegie Endowment for International Peace, a foreign policy think tank. Ms. Ibrahim holds a B.A. in Economics and an M.A. in Sociology from Stanford University and a Ph.D. in Economics from the Massachusetts Institute of Technology.

Ms. Ibrahim was selected to our board of directors because of her experience on the board of directors of rapidly growing consumer and technology companies.

*Rob Krolik* has served on our board of directors since January 2019. Mr. Krolik currently serves as the General Partner and Chief Financial Officer of Burst Capital, a venture capital investment firm, a position he has held since October 2018. Previously, Mr. Krolik served as the Chief Financial Officer of Yelp, an online platform company that connects people with local businesses, from July 2011 to May 2016. Mr. Krolik also serves on the boards of a number of private companies. Mr. Krolik holds a B.B.A. in Finance from the University of Texas at Austin and is a certified public accountant (inactive).

Mr. Krolik was selected to our board of directors because of his experience with rapidly growing technology companies and as the chief financial officer of a publicly-held company.

*Michael A. Kumin* has served on our board of directors since May 2017. Mr. Kumin has worked as an investment professional at Great Hill Partners, a private equity firm, since 2002 where he currently serves as a Managing Partner. Mr. Kumin has served on the board of directors of Wayfair, an ecommerce home goods company, since June 2011, and Yogaworks, a yoga studio, brand and teaching company, since July 2014. Mr. Kumin also serves on the boards of a number of private companies. Mr. Kumin holds a B.A. from Princeton University's Woodrow Wilson School of Public & International Affairs.

Mr. Kumin was selected to serve on our board of directors because of his experience in the consumer retail and ecommerce industries as a private equity investor and his service on the board of directors of other consumer and technology companies.

*Stefan Larsson* has served on our board of directors since January 2019. Mr. Larsson currently serves as President of PVH, the parent company of Calvin Klein and Tommy Hilfiger, a position he has held since June 2019. Previously, Mr. Larsson was the President and Chief Executive Officer and a director of Ralph Lauren Corporation, a premium lifestyle apparel company, from November 2015 until May 2017. Mr. Larsson served as the Global President of Old Navy, an apparel brand and division of Gap, a global clothing retailer, from October 2012 to October 2015. Prior to Old Navy, Mr. Larsson was a key part of the leadership team that built H&M, a clothing retailer, from \$3 to \$17 billion in revenue and expanded operations from 12 to 44 countries, from August 1998 to September 2012. Mr. Larsson received a Master of Science in Business Administration jointly from the Hanken School of Economics in Finland and Jönköping International Business School in Sweden.

Mr. Larsson was selected to serve on our board of directors because of his extensive experience in managing global, diversified retail businesses, along with his in-depth knowledge of the fashion and apparel industry.

*Niki Leondakis* has served on our board of directors since April 2019. Ms. Leondakis currently serves as President of The Wolff Resident experience Company, a real estate hospitality company, a position she has held since February 2019. Previously, Ms. Leondakis served as the Chief Executive Officer of Equinox Fitness Clubs at Equinox Holdings, a luxury fitness company, from March 2017 to July 2018, as Chief Executive Officer of Hotels and Resorts at Two Roads Hospitality, a lifestyle hotel hospitality company, from November 2012 to March 2017 and as President and Chief Operating Officer of Kimpton Hotels and Restaurants from September 1993 to November 2012. Ms. Leondakis holds a B.S. in Hotel, Restaurant Management and Travel Administration from the University of Massachusetts in Amherst.

Ms. Leondakis was selected to serve on our board of directors because of her executive skills and understanding of quality customer experience.

*James R. Miller* has served on our board of directors since May 2019. Mr. Miller currently serves as Strategic Advisor of AREVO, a computer software and 3D printing company, a position he has held since January 2019. Previously, Mr. Miller served as the Chief Executive Officer of AREVO, from February 2018 to January 2019, and Vice President, Global/Worldwide Operations of Google, an internet service and products company, from July 2010 to February 2018. Mr. Miller has served on the board of directors of Wayfair, an ecommerce home goods company, since July 2016, and DocuSign, an electronic signature company, since March 2014. Mr. Miller also serves on the boards of a number of private companies. He has also previously served on the board of directors of Corporate Eco Forum, a corporate sustainability organization, from July 2008 to June 2018. Mr. Miller holds a B.S. in aerospace engineering from Purdue University, a M.S. in mechanical engineering from Massachusetts Institute of Technology and an M.B.A. from MIT's Sloan School of Management.

Mr. Miller was selected to serve on our board of directors because of his extensive experience in scaling operations in rapidly-growing internet companies.

#### **Family Relationships**

There are no family relationships among any of our executive officers or directors.

#### **Corporate Governance**

##### ***Classified Board of Directors***

Upon the completion of this offering, our board of directors will consist of eight members and be divided into three classes of directors that will serve staggered three-year terms. At each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the same class whose term is then expiring. As a result, only one class of directors will be elected at each annual meeting of our stockholders, with the other

classes continuing for the remainder of their respective three-year terms. Our directors will be divided among the three classes as follows:

- the Class I directors will be Maha Ibrahim, Michael Kumin and Stefan Larsson, and their terms will expire at the first annual meeting of stockholders to be held after the completion of this offering;
- the Class II directors will be Robert Krolik and Niki Leondakis, and their terms will expire at the second annual meeting of stockholders to be held after the completion of this offering; and
- the Class III directors will be Chip Baird, James Miller and Julie Wainwright, and their terms will expire at the third annual meeting of stockholders to be held after the completion of this offering.

Each director's term continues until the election and qualification of his or her successor, or his or her earlier death, resignation or removal. Our certificate of incorporation and bylaws to be in effect upon the completion of this offering will authorize only our board of directors to fill vacancies on our board of directors. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of our board of directors may have the effect of delaying or preventing changes in control of our company. See the section titled "Description of Capital Stock—Anti-Takeover Provisions."

#### **Director Independence**

In connection with this offering, we have applied to list our common stock on Nasdaq. Under the rules of Nasdaq, independent directors must comprise a majority of a listed company's board of directors within a specified period after the completion of this offering. In addition, the rules of Nasdaq require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and governance committees be independent. Under the rules of Nasdaq, a director will only qualify as an "independent director" if, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Additionally, compensation committee members must not have a relationship with us that is material to the director's ability to be independent from management in connection with the duties of a compensation committee member.

Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act. In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors or any other board committee: accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries; or be an affiliated person of the listed company or any of its subsidiaries. We intend to satisfy the audit committee independence requirements of Rule 10A-3 as of the completion of this offering.

Our board of directors has undertaken a review of the independence of each director and considered whether each director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. As a result of this review, our board of directors determined that, with the exception of our Chief Executive Officer, Julie Wainwright, each member of our board of directors is an "independent director" as defined under the applicable rules and regulations of the SEC and the listing requirements and rules of Nasdaq. In making these determinations, our board of directors reviewed and discussed information provided by the directors and by us with regard to each director's business and personal activities and relationships as they may relate to us and our management, including the beneficial ownership of our common stock by each non-employee director and the transactions involving them described in the section titled "Certain Relationships and Related Party Transactions."

### **Board Leadership Structure**

Our corporate governance guidelines provide that the roles of chairperson of the board and chief executive officer may be separated or combined. In the event that the roles are combined, our corporate governance guidelines provide for the naming of a Lead Independent Director. Our board of directors has appointed Michael Kumin to serve as our Lead Independent Director. As Lead Independent Director, Mr. Kumin will preside over periodic meetings of our independent directors, serve as liaison between the chairperson of our board of directors and the independent directors and perform such additional duties as our board of directors may otherwise determine and delegate.

### **Board Committees**

Our board of directors has established an audit committee, a compensation committee and a nominating and governance committee prior to the completion of this offering. The composition and responsibilities of each of the committees of our board of directors are described below. Following the completion of this offering, copies of the charters for each committee will be available on our website. Members serve on these committees until their resignation or until otherwise determined by our board of directors. Our board of directors may establish other committees as it deems necessary or appropriate from time to time.

#### ***Audit Committee***

Our audit committee consists of Maha Ibrahim, Robert Krolik and James Miller, with Robert Krolik serving as the chairperson. Rule 10A-3 under the Exchange Act provides that an audit committee member who owns 10% or more of the Company's voting power does not fall under the safe harbor provision of the rule. Our board of directors considered Ms. Ibrahim's role as a General Partner of Canaan Partners, who holds greater than 10% of our outstanding voting stock, and determined that she and each of the other members of our audit committee are independent within the meaning of Rule 10A-3 under the Exchange Act. Our board of directors has also determined that Robert Krolik is an "audit committee financial expert" as defined by the applicable SEC rules.

Specific responsibilities of our audit committee will include:

- overseeing our corporate accounting and financial reporting processes and our internal controls over financial reporting;
- evaluating the independent public accounting firm's qualifications, independence and performance;
- engaging and providing for the compensation of the independent public accounting firm;
- pre-approving audit and permitted non-audit and tax services to be provided to us by the independent public accounting firm;
- reviewing our financial statements;
- reviewing our critical accounting policies and estimates and internal controls over financial reporting;
- establishing procedures for complaints received by us regarding accounting, internal accounting controls or auditing matters, including for the confidential anonymous submission of concerns by our employees, and periodically reviewing such procedures, as well as any significant complaints received, with management;
- discussing with management and the independent registered public accounting firm the results of the annual audit and the reviews of our quarterly financial statements;
- review and approve any transaction between us and any related person (as defined by the Securities Act) in accordance with the Company's related party transaction approval policy; and
- such other matters that are specifically designated to the audit committee by our board of directors from time to time.

Our audit committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable Nasdaq listing standards.

**Compensation Committee**

Our compensation committee consists of Chip Baird, Michael Kumin and Niki Leondakis, with Michael Kumin serving as chairperson. Our board of directors has determined that each member of our compensation committee is independent under the Nasdaq listing standards and a “non-employee director” as defined in Rule 16b-3 promulgated under the Exchange Act.

Specific responsibilities of our compensation committee will include:

- reviewing and recommending policies relating to compensation and benefits of our officers and employees, including reviewing and approving corporate goals and objectives relevant to compensation of the Chief Executive Officer and other senior officers;
- evaluating the performance of the Chief Executive Officer and other senior officers in light of those goals and objectives;
- setting compensation of the Chief Executive Officer and other senior officers based on such evaluations;
- administering the issuance of options and other awards under our equity-based incentive plans;
- reviewing and approving, for the Chief Executive Officer and other senior officers, employment agreements, severance agreements, consulting agreements and change in control or termination agreements; and
- such other matters that are specifically designated to the compensation committee by our board of directors from time to time.

Our compensation committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable Nasdaq listing standards.

**Nominating and Corporate Governance Committee**

Our nominating and corporate governance committee consists of Chip Baird, Michael Kumin and Stefan Larsson, with Chip Baird serving as chairperson. Our board of directors has determined that each member of our nominating and corporate governance committee is independent under the applicable Nasdaq listing standards.

Specific responsibilities of our nominating and corporate governance committee will include:

- identifying and evaluating candidates, including the nomination of incumbent directors for reelection and nominees recommended by stockholders, to serve on our board of directors;
- considering and making recommendations to our board of directors regarding changes to the size and composition of our board of directors;
- considering and making recommendations to our board of directors regarding the composition and chairmanship of the committees of our board of directors;
- instituting plans or programs for the continuing education of our board of directors and orientation of new directors;
- establishing procedures to exercise oversight of, and oversee the performance evaluation process of, our board of directors and management;
- developing and making recommendations to our board of directors regarding corporate governance guidelines and matters; and
- overseeing periodic evaluations of the board of directors’ performance, including committees of the board of directors.

Our nominating and corporate governance committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable Nasdaq listing standards.

**Code of Ethics and Business Conduct**

Our board of directors has adopted a code of ethics and business conduct, which establishes the standards of ethical conduct applicable to all of our directors, officers, employees and senior financial officers. A copy of our code of conduct will be posted on the investor relations page of our website, [www.therealreal.com](http://www.therealreal.com). In addition, we intend to post on our website all disclosures that are required by law or the Nasdaq listing standards concerning any amendments to, or waivers from, any provision of the code.

**Compensation Committee Interlocks and Insider Participation**

None of the members of our compensation committee is or has been an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee (or other board committee performing equivalent functions) of any entity that has one or more executive officers serving on our board of directors or compensation committee.

**Director Compensation**

During 2018, members of our board of directors did not receive any retainer fees or other cash or equity-based compensation for their services as a director, other than reimbursements for out-of-pocket expenses incurred in connection with rendering such services. In connection with the offering, we engaged an independent compensation consultant to assist in the evaluation of our post-offering non-employee director compensation program.

**Limitations on Director and Officer Liability and Indemnification**

Our certificate of incorporation that will become effective in connection with this offering will contain provisions that will limit the liability of our directors for monetary damages to the fullest extent permitted by the DGCL. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL; or
- any transaction from which the director derived an improper personal benefit.

Our certificate of incorporation and our bylaws that will become effective in connection with this offering will require us to indemnify our directors and officers, and allow us to indemnify other employees and agents, to the fullest extent permitted by the DGCL. Subject to certain limitations and limited exceptions, our certificate of incorporation will also require us to advance expenses incurred by our directors and officers for the defense of any action for which indemnification is required or permitted.

We have entered into indemnification agreements with each of our directors and our executive officers. These agreements will provide that we will indemnify each of our directors and such officers to the fullest extent permitted by law and our certificate of incorporation.

We believe that these provisions in our certificate of incorporation, bylaws and indemnification agreements are necessary to attract and retain qualified persons such as directors, officers and key employees. We also maintain directors' and officers' liability insurance. The limitation of liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against our directors and officers for breaches of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

**Role of the Board in Risk Oversight**

One of the key functions of our board of directors is informed oversight of our risk management process. The board of directors does not have a standing risk management committee, but rather administers this oversight function directly through the board of directors as a whole, as well as through its standing committees that address risks inherent in their respective areas of oversight. In particular, our board of directors is responsible for monitoring and assessing strategic risk exposure. Our audit committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The audit committee also monitors compliance with legal and regulatory requirements, in addition to oversight of the performance of our external audit function. Our nominating and corporate governance committee monitors the effectiveness of our corporate governance guidelines. Our compensation committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking.



## EXECUTIVE COMPENSATION

The following is a discussion and analysis of compensation arrangements of our named executive officers. This discussion contains forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt may differ materially from currently planned programs as summarized in this discussion. As an “emerging growth company” as defined in the JOBS Act, we are not required to include a Compensation Discussion and Analysis section and have elected to comply with the scaled back disclosure requirements applicable to emerging growth companies.

### Overview

Our current executive compensation program is intended to align executive compensation with our business objectives and to enable us to attract, retain and reward executive officers who contribute to our long-term success. The compensation paid or awarded to our executive officers is generally based on the assessment of each individual’s performance compared against the business objectives established for the fiscal year as well as our historical compensation practices. In the case of new hire executive officers, their compensation is primarily determined based on the negotiations of the parties as well as our historical compensation practices. For 2018, the material elements of our executive compensation program were base salary, annual cash bonuses and equity-based compensation in the form of stock options.

We expect that our executive compensation program will evolve to reflect our status as a newly publicly-traded company, while still supporting our overall business and compensation objectives. In connection with this offering, we have retained Compensia, an independent executive compensation consultant, to help advise on our post-offering executive compensation program.

This section provides a discussion of the compensation paid or awarded to our Chief Executive Officer and our two other most highly compensated executive officers as of December 31, 2018. We refer to these individuals as our “named executive officers.” For 2018, our named executive officers were:

- Julie Wainwright, Chief Executive Officer;
- Matt Gustke, Chief Financial Officer; and
- Rati Sahi Levesque, Chief Operating Officer.

### Compensation of Named Executive Officers

#### *Base Salary*

Base salaries are intended to provide a level of compensation sufficient to attract and retain an effective management team, when considered in combination with the other components of our executive compensation program. The relative levels of base salary for our named executive officers are designed to reflect each executive officer’s scope of responsibility and accountability with us. Please see the “Salary” column in the 2018 Summary Compensation Table for the base salary amounts received by each named executive officer in 2018.

#### *Annual Cash Bonuses*

Historically, we have provided our senior leadership team with short-term incentive compensation through our annual cash bonus plan. Annual bonus compensation holds executives accountable, rewards the executives based on actual business results and helps create a “pay for performance” culture. Our annual cash bonus program provides cash incentive award opportunities for the achievement of performance goals established by our board of directors at the beginning of each fiscal year.

The payment of awards under the 2018 annual cash bonus program applicable to the named executive officers was subject to the attainment of a number of goals relating to our performance. Specifically, as approved by the board of directors, 50% of the bonus was based on the attainment of GMV goals, 30% was based on gross margin goals, 10% was based on operating expenses and the remaining 10% was based upon department goals.

Early in 2018, the board of directors established the bonus targets for Ms. Wainwright, Mr. Gustke and Ms. Levesque in the annual bonus program. Ms. Wainwright had a 2018 target bonus equal to 50% of her base salary and Mr. Gustke and Ms. Levesque each had bonus targets equal to 40% of his or her base salary. Based on our 2018 performance, the board of directors awarded payouts under our annual cash bonus program equal to, as a percentage of target opportunity, 96%, 95% and 93% for Ms. Wainwright, Mr. Gustke and Ms. Levesque, respectively. Please see the “Non-Equity Incentive Compensation” column in the 2018 Summary Compensation Table for the amount of annual bonuses paid to Ms. Wainwright, Mr. Gustke and Ms. Levesque in 2018.

**Stock Options**

To further align the interests of our executive officers with the interests of our stockholders and to further focus our executive officers on our long-term performance, we have historically granted equity compensation in the form of stock options. Stock options generally vest (1) in 1/48<sup>th</sup> increments for each month of continuous employment following the vesting commencement date or (2) 25% on the first anniversary of the vesting commencement date and in 1/36<sup>th</sup> increments for each subsequent month of continuous employment. In 2018, the board of directors awarded Mr. Gustke and Ms. Levesque stock options to purchase 75,000 and 125,000 shares of our common stock, respectively.

**2018 Summary Compensation Table**

The following table shows information regarding the compensation of our named executive officers for services performed in the year ended December 31, 2018.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary<sup>(1)</sup></u>	<u>Option Awards<sup>(2)</sup></u>	<u>Non-Equity Incentive Plan Compensation<sup>(3)</sup></u>	<u>All Other Compensation</u>	<u>Total<sup>(5)</sup></u>
Julie Wainwright <i>Chief Executive Officer</i>	2018	\$362,365	\$ —	\$ 172,119	\$ 1,000 <sup>(4)</sup>	\$535,484
Matt Gustke <i>Chief Financial Officer</i>	2018	321,750	283,065	120,868	1,000 <sup>(4)</sup>	726,683
Rati Sahi Levesque <i>Chief Operating Officer</i>	2018	292,673	471,775	108,037	1,000 <sup>(4)</sup>	873,485

- (1) Amounts reported in this column reflect the base salaries earned during 2018.
- (2) Amounts reported in this column reflect the aggregate grant date fair value of stock options awarded in 2018, computed in accordance with FASB ASC Topic 718, Compensation—Stock Compensation based on the following assumptions: risk-free interest rate of 2.7%-2.9%; expected volatility of 46.6%-48.1%; expected term of 5.2-6.2 years and expected dividend rate of 0%.
- (3) Amounts reported in this column for each named executive officer represents payouts under our annual cash bonus program.
- (4) Consists of \$1,000 of 401(k) contributions received.
- (5) Amounts reported in this table exclude payments to our named executive officers in connection with the sale of common stock to existing investors. The difference between the purchase price paid to each named executive officer and the fair market value of the applicable shares on the date of purchase was as follows: (a) \$529,528 for Ms. Wainwright; (b) \$85,528 for Mr. Gustke; and (c) \$156,870 for Ms. Levesque.

**Outstanding Equity Awards at 2018 Fiscal Year-End**

The following table presents information regarding the outstanding stock options held by each of the named executive officers as of December 31, 2018. None of the named executive officers held any outstanding restricted stock or other equity awards as of that date.

Name	Grant Date	Vesting Commencement Date	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date
Julie Wainwright	3/27/2014	3/14/2014	624,250	—	\$ 0.90	3/27/2024
	2/19/2015	2/19/2015	229,884	44,445	1.92	2/19/2020
	2/19/2015	2/19/2015	792,361	—	1.92	2/19/2020
	12/17/2015 <sup>(1)</sup>	12/17/2015	37,500	12,500	3.48	12/17/2020
	2/16/2017 <sup>(1)</sup>	2/16/2017	114,583	135,417	2.56	2/16/2027
Matt Gustke	5/31/2013	4/3/2013	193,821	—	0.78	5/30/2023
	3/27/2014	3/14/2014	75,000	—	0.90	3/26/2024
	2/19/2015	2/19/2015	57,516	2,501	1.74	2/18/2025
	12/17/2015 <sup>(1)</sup>	12/17/2015	18,071	6,024	3.48	12/16/2025
	12/17/2015 <sup>(1)</sup>	12/17/2015	38,178	12,726	3.48	12/16/2025
	2/16/2017 <sup>(1)</sup>	2/16/2017	21,470	25,374	2.56	2/16/2027
Rati Sahi Levesque	12/5/2018 <sup>(1)</sup>	12/5/2018	—	75,000	7.64	12/5/2028
	11/28/2011	6/1/2011	119,125	—	0.008	11/28/2021
	3/27/2014	3/14/2014	175,750	—	0.90	3/27/2024
	2/19/2015 <sup>(1)</sup>	2/19/2015	90,950	3,954	1.74	2/19/2025
	12/17/2015 <sup>(1)</sup>	12/17/2015	37,499	12,500	3.48	12/17/2025
	2/16/2017 <sup>(1)</sup>	2/16/2017	28,515	33,700	2.56	2/16/2027
	12/5/2018 <sup>(1)</sup>	12/5/2018	—	125,000	7.64	12/5/2028

<sup>(1)</sup> This option vests in 1/48th increments beginning on the one-month anniversary of the vesting commencement date and for each subsequent month of continuous employment.

**Additional Narrative Disclosure**

**Executive Severance Benefits**

Our executives are not eligible for any severance benefits upon termination of their employment.

**Equity Awards**

In the event an executive's employment is terminated without cause or due to good reason in connection with or within 12 months following a change in control or stock sale, 50% of any unvested options held by the executive as of the termination date will vest upon such termination. This offering will not constitute a change in control or stock sale under the terms of the option agreement.

**401(k) Plan**

We maintain a qualified 401(k) savings plan which allows participants to defer from 0% to 100% of cash compensation up to the maximum amount allowed under Internal Revenue Service ("IRS") guidelines. We may make discretionary matching and profit sharing contributions to the plan. In 2018, we matched up to 25% of employee elective deferrals that did not exceed \$1,000 per employee and did not make any profit sharing contributions. Participants are always vested in their contributions to the plan. Participants vest in their company matching and profit sharing contributions under a one to four-year graded vesting schedule.

## **Equity Compensation Plans**

### ***2019 Equity Incentive Plan***

In connection with this offering, our board of directors has adopted and our current stockholders expect to approve the 2019 Plan, prior to the effective date of this offering. The 2019 Plan will replace the 2011 Equity Incentive Plan, as described below.

The purposes of the 2019 Plan are to align the interests of our stockholders and those eligible for awards, to retain officers, directors, employees and other service providers, and to encourage them to act in our long-term best interests. Our 2019 Plan provides for the grant of incentive stock options (within the meaning of Code Section 422), nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units, other stock awards and performance awards. Officers, directors, employees, consultants, agents and independent contractors who provide services to us or to any subsidiary of ours are eligible to receive awards under the 2019 Plan. The material terms of the 2019 Plan are expected to be as follows:

#### *Stock Subject to the Plan*

The number of shares reserved for issuance under the 2019 Plan is 8,000,000, plus an annual increase added on the first day of each fiscal year, beginning with the fiscal year ending December 31, 2020 and continuing until and including the fiscal year ending December 31, 2029. The annual increase will be equal to the lesser of 5% of the number of shares of common stock outstanding on the first day of such fiscal year, 8,000,000 shares of our common stock or such amount as determined by our board of directors. To the extent an equity award granted under the 2019 Plan or a prior equity plan of ours (other than any substitute award) expires or otherwise terminates without having been exercised or paid in full, or is settled in cash, the shares subject to such award will become available for future grant under the 2019 Plan. In addition, to the extent shares subject to an award granted under the 2019 Plan or a prior equity plan of ours are withheld to satisfy a participant's tax withholding obligation upon the exercise or settlement of such award (other than any substitute award) or to pay the exercise price of a stock option, such shares will become available for future grant under the 2019 Plan.

#### *Plan Administration*

Our compensation committee will administer the 2019 Plan. Our board of directors has the authority to amend and modify the 2019 Plan, subject to any stockholder approval required by applicable law or stock exchange rules. Subject to the terms of the 2019 Plan, our compensation committee will have the authority to determine the eligibility for awards and the terms, conditions and restrictions, including vesting terms, the number of shares subject to an award and any performance goals applicable to grants made under the 2019 Plan. The compensation committee also will have the authority, subject to the terms of the 2019 Plan, to construe and interpret the 2019 Plan and awards, and amend outstanding awards at any time.

#### *Stock Options and Stock Appreciation Rights*

Our compensation committee may grant incentive stock options, nonstatutory stock options and stock appreciation rights under the 2019 Plan, provided that incentive stock options are granted only to employees. The exercise price of stock options and stock appreciation rights under the 2019 Plan will be fixed by the compensation committee, but must equal at least 100% of the fair market value of our common stock on the date of grant. The term of an option or stock appreciation right may not exceed ten years; provided, however, that an incentive stock option held by an employee who owns more than 10% of all of our classes of stock, or of certain of our affiliates, may not have a term in excess of five years, and must have an exercise price of at least 110% of the fair market value of our common stock on the grant date. Subject to the provisions of the 2019 Plan, the compensation committee will determine the remaining terms of the options and stock appreciation rights (e.g., vesting). Upon a participant's termination of service, the participant may exercise his or her option or stock appreciation right, to the extent vested (unless the compensation committee permits otherwise), as specified in the award agreement.

*Stock Awards*

Our compensation committee will decide at the time of grant whether an award will be in the form of restricted stock, restricted stock units or other stock award. The compensation committee will determine the number of shares subject to the award, vesting and the nature of any performance measures. Unless otherwise specified in the award agreement, the recipient of restricted stock will have voting rights and be entitled to receive dividends when and if declared with respect to his or her shares of restricted stock. The recipient of restricted stock units will not have voting rights, but his or her award agreement may provide for the receipt of dividend equivalents. Our compensation committee may grant other stock awards that are based on or related to shares of our common stock, such as awards of shares of common stock granted as bonus and not subject to any vesting conditions, deferred stock units, stock purchase rights and shares of our common stock issued in lieu of our obligations to pay cash under any compensatory plan or arrangement.

*Performance Awards*

Our compensation committee will determine the value of any performance award, the vesting and nature of the performance measures, and whether the award is denominated or settled in cash or in shares of our common stock. The performance goals applicable to a particular award will be determined by our compensation committee at the time of grant.

*Transferability of Awards*

The 2019 Plan does not allow awards to be transferred other than by will or the laws of inheritance following the participant's death, and options may be exercised during the lifetime of the participant only by the participant. However, an award agreement may permit a participant to assign an award to a family member by gift, pursuant to a domestic relations order, to a charitable organization designated by the participant or to a trust, family limited partnership or similar entity established for one of the participant's family members. A participant may also designate a beneficiary who will receive outstanding awards upon the participant's death.

*Certain Adjustments*

If any change is made in our common stock subject to the 2019 Plan, or subject to any award agreement under the 2019 Plan, without the receipt of consideration by us, such as through a stock split, stock dividend, extraordinary distribution, recapitalization, combination of shares, exchange of shares or other similar transaction, appropriate adjustments will be made in the number, class and price of shares subject to each outstanding award and the numerical share limits contained in the plan.

*Change in Control*

Subject to the terms of the applicable award agreement, upon a "change in control" (as defined in the 2019 Plan), our board of directors may, in its discretion, determine whether some or all outstanding options and stock appreciation rights will become exercisable in full or in part, whether the restriction period and performance period applicable to some or all outstanding restricted stock awards and restricted stock unit awards will lapse in full or in part and whether the performance measures applicable to some or all outstanding awards will be deemed to be satisfied. Our board of directors may further require that shares of stock of the corporation resulting from such a change in control, or a parent corporation thereof, be substituted for some or all of our shares of common stock subject to an outstanding award and that any outstanding awards, in whole or in part, be surrendered to us by the holder and be immediately cancelled by us in exchange for a cash payment, shares of capital stock of the corporation resulting from or succeeding us or a combination of both cash and such shares of stock.

*Clawback*

Awards granted under the 2019 Plan and any cash payment or shares of our common stock delivered pursuant to an award are subject to forfeiture, recovery or other action pursuant to the applicable award agreement or any clawback or recoupment policy that we may adopt.

*Plan Termination and Amendment*

Our board of directors has the authority to amend, suspend or terminate the 2019 Plan, subject to any requirement of stockholder approval required by law or stock exchange rules. Our 2019 Plan will terminate on the ten-year anniversary of its approval by our board of directors, unless we terminate it earlier.

*New Plan Benefits*

The compensation committee has the discretion to grant awards under the 2019 Plan, and therefore it is not possible at the time of filing of this prospectus to determine future awards that will be received by our named executive officers or others under the 2019 Plan. All of our officers, directors, employees, consultants, agents and independent contractors are eligible for consideration to participate in the 2019 Plan.

**2011 Equity Incentive Plan**

The following is a description of the material terms of the 2011 Plan. The summary below does not contain a complete description of all provisions of the 2011 Plan and is qualified in its entirety by reference to the 2011 Plan, a copy of which will be included as an exhibit to the registration statement of which this prospectus forms a part.

As discussed above, we expect to replace the 2011 Plan with a new plan adopted prior to the completion of this offering. Once that new plan becomes effective, we will no longer make awards under the 2011 Plan. However, the 2011 Plan will continue to govern outstanding awards granted prior to its termination.

The purposes of the 2011 Plan are to: attract and retain the best available personnel for positions of substantial responsibility; provide additional incentives to employees, directors and consultants; and promote the success of our business. Our 2011 Plan provides for the grant of incentive stock options (within the meaning of Code Section 422), nonstatutory stock options, stock appreciation rights, restricted stock and restricted stock units. Officers, directors, employees and consultants who provide services to us or to any parent or subsidiary of ours are eligible to receive such awards; provided, however, that only officers and employees may receive incentive stock options. The material terms of the 2011 Plan are as follows.

*Stock Subject to the Plan*

The number of shares reserved for issuance under the 2011 Plan is 12,987,255. To the extent an award granted under the 2011 Plan is not issued or delivered or is returned to us by reason of the expiration, termination, cancellation, forfeiture or cash settlement of such award, the shares subject to such award will become available for future grant under the 2011 Plan. With respect to stock appreciation rights, only shares actually issued pursuant to stock appreciation rights will cease to be available under the 2011 Plan. In addition, to the extent shares subject to an award are withheld to satisfy a participant's tax withholding obligation upon the exercise or settlement of such award or to pay the exercise price of a stock option, such shares will become available for future grant under the 2011 Plan. Finally, if shares issued pursuant to awards of restricted stock or restricted stock units are repurchased by, or forfeited to, us due to the failure to vest, such shares will become available for future grant under the 2011 Plan.

*Plan Administration*

Historically, our board of directors has administered the 2011 Plan, which included the authority to determine the eligibility for awards and the terms, conditions, and restrictions, including vesting terms, the

number of shares subject to an award and any performance goals applicable to grants made under the 2011 Plan. The board of directors, as administrator of the 2011 Plan, also had the authority, subject to the terms of the 2011 Plan, to construe and interpret the 2011 Plan and awards, and amend outstanding awards at any time.

As noted above, once our 2019 Plan becomes effective, we will no longer make awards under the 2011 Plan; however, the 2011 Plan will continue to govern outstanding awards granted prior to its termination. The board of directors has designated the compensation committee as the administrator of the 2011 Plan with respect to these outstanding awards.

#### *Stock Options and Stock Appreciation Rights*

Our compensation committee may grant incentive stock options, nonstatutory stock options and stock appreciation rights under the 2011 Plan, provided that incentive stock options are granted only to officers and employees. The exercise price of stock options and stock appreciation rights under the 2011 Plan will be fixed by the compensation committee, but must equal at least 100% of the fair market value of our common stock on the date of grant. The term of an option or stock appreciation right may not exceed ten years; provided, however, that an incentive stock option held by an employee who owns more than 10% of all of our classes of stock, or of any parent or subsidiary of ours, may not have a term in excess of five years and must have an exercise price of at least 110% of the fair market value of our common stock on the grant date. Subject to the provisions of the 2011 Plan, the compensation committee will determine the remaining terms of the options and stock appreciation rights (e.g., vesting). Upon a participant's termination of service for a reason other than the participant's death or disability, the participant may exercise his or her option or stock appreciation right, to the extent vested (unless the compensation committee permits otherwise), within 30 days of such termination or as specified in the award agreement. Upon a participant's termination of service due to the participant's death or disability, the participant (or, in the case of the participant's death, the participant's designated beneficiary or the personal representative of the participant's estate) may exercise his or her option or stock appreciation right, to the extent vested (unless the compensation committee permits otherwise), within 6 months of such termination or as specified in the award agreement.

#### *Stock Awards*

Our compensation committee will decide at the time of grant whether an award will be in the form of restricted stock or restricted stock units. The compensation committee will determine the number of shares subject to the award, vesting and the nature of any performance measures. Unless otherwise specified in the award agreement, the recipient of restricted stock will have voting rights and be entitled to receive dividends with respect to his or her shares of restricted stock. The recipient of restricted stock units will not have voting rights and will not be entitled to receive dividend equivalents.

#### *Certain Adjustments*

If any dividend or other distribution, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, exchange of our share or other of our securities or any other change in our corporate structure affecting our shares occurs, appropriate adjustments will be made in the number, class and price of shares subject to each outstanding award and the numerical share limits contained in the plan.

#### *Merger or Change in Control*

Subject to the terms of individual award agreements, upon a merger or "change in control" (as defined in the 2011 Plan), our compensation committee may, in its discretion, determine whether some or all outstanding options and stock appreciation rights will become exercisable in full or in part, whether the restriction period applicable to some or all outstanding restricted stock awards and restricted stock unit awards will lapse in full or in part and whether the performance measures applicable to some or all outstanding awards will be deemed to be

satisfied. Our compensation committee may further require that shares of stock of the corporation resulting from such a merger or change in control, or a parent corporation thereof, be substituted for some or all of our shares of common stock subject to an outstanding award and that any outstanding awards, in whole or in part, be surrendered to us by the holder and be immediately cancelled by us in exchange for a cash payment, shares of capital stock of the corporation resulting from or succeeding us or a combination of both cash and such shares of stock. This offering will not constitute a change in control under the 2011 Plan.

*Plan Termination and Amendment*

Our board of directors has the authority to amend, alter, suspend or terminate the 2011 Plan, subject to any requirement of stockholder approval required by law or stock exchange rules.

***Employee Stock Purchase Plan***

In connection with this offering, our board of directors expects to adopt, and our current stockholders expect to approve, the ESPP to be effective upon the completion of this offering. The material terms of the ESPP are expected to be as follows.

Generally, all of our employees (including those of our consolidated subsidiaries, other than those subsidiaries excluded from participation by our board of directors or compensation committee) who have been employed for at least 90 days are eligible to participate in the ESPP. The ESPP permits employees to purchase our common stock through payroll deductions during six-month offering periods. Participants may authorize payroll deductions of a specific percentage of compensation of up to 15%, with such deductions being accumulated for six-month purchase periods beginning on the first business day of each offering period and ending on the last business day of each offering period. Under the terms of the ESPP, the purchase price per share with respect to an offering period will equal the lesser of (1) 85% of the fair market value of a share of our common stock on the first business day of such offering period and (2) 85% of the fair market value of a share of our common stock on the last business day of such offering period, although the compensation committee has discretion to change the purchase price with respect to future offering periods, subject to the terms of the ESPP. No employee may participate in an offering period if the employee owns 5% or more of the total combined voting power or value of our stock or the stock of any of our subsidiaries. No participant may purchase more than 5,000 shares of our common stock during any offering period.

Subject to adjustment for stock splits, stock dividends or other changes in our capital stock, 1,750,000 shares of our common stock have been reserved for issuance under the ESPP. Subject to the adjustment provisions contained in the ESPP, the maximum number of shares of our common stock available under the ESPP will automatically increase on the first trading day in January of each calendar year, commencing January 2020, by an amount equal to the lesser of 1% of the shares of our common stock issued and outstanding on December 31 of the immediately preceding calendar year, 1,750,000 shares of our common stock or such lesser amount as is determined by our board of directors.

The ESPP will be administered by the compensation committee or a designee of the compensation committee. The ESPP may be amended by our board of directors or the compensation committee but may not be amended without prior stockholder approval to the extent required by Section 423 of the Code. The ESPP shall continue in effect until the earlier of (1) the termination of the ESPP by our board of directors or the compensation committee pursuant to the terms of the ESPP and (2) the ten-year anniversary of the effective date of the ESPP, with no new offering periods commencing on or after such ten-year anniversary.



**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

In addition to the compensation arrangements discussed in the section titled “Executive Compensation,” we describe below the transactions since January 1, 2015 to which we have been a participant, in which the amount involved in the transaction exceeds or will exceed \$120,000 and in which any of our directors, executive officers or holders of more than 5% of our capital stock, or any immediate family member of, or person sharing the household with, any of these individuals, had or will have a direct or indirect material interest.

**Equity Financings**

**Series D Preferred Stock Financing**

From March 2015 through April 2015, we sold an aggregate of 7,162,321 shares of our Series D preferred stock to related persons at a purchase price of \$2.79239 per share, for an aggregate purchase price of \$19,999,994. The following table summarizes purchases of our Series D preferred stock by such related persons:

<u>Stockholder</u>	<u>Shares of Series D Preferred Stock</u>	<u>Total Purchase Price</u>
Canaan IX, L.P.(1)(2)	1,790,580	\$ 4,999,998
InterWest Partners X, L.P.(1)	1,790,580	4,999,998
e.ventures Growth, LP(1)	1,110,160	3,100,000
Greycroft Growth, L.P.(1)	2,471,001	6,899,998

- (1) Currently holds more than 5% of our outstanding common stock.  
 (2) Maha Ibrahim, a member of our board of directors, is a General Partner at Canaan Partners.

**Series E Preferred Stock Financing**

In April 2016, we sold an aggregate of 10,868,329 shares of our Series E preferred stock to related persons at a purchase price of \$2.9440 per share, for an aggregate purchase price of \$31,996,361. The following table summarizes purchases of our Series E preferred stock by such related persons:

<u>Stockholder</u>	<u>Shares of Series E Preferred Stock</u>	<u>Total Purchase Price</u>
Canaan IX, L.P.(1)(2)	654,298	\$ 1,926,253
InterWest Partners X, L.P.(1)	739,272	2,176,417
e.ventures Growth, LP(1)	305,041	898,041
Entities affiliated with Greenspring Associates(1)(3)	8,491,847	24,999,998
Greycroft Growth, L.P.(1)	677,871	1,995,652

- (1) Currently holds more than 5% of our outstanding common stock.  
 (2) Maha Ibrahim, a member of our board of directors, is a General Partner at Canaan Partners.  
 (3) Entities affiliated with Greenspring Associates include Greenspring Opportunities III, L.P., Greenspring Global Partners VII-A, L.P., Greenspring Global Partners VII-C, L.P., Greenspring Secondaries Fund III, L.P. and AU Special Investments, L.P.

**Series F Preferred Stock Financing**

In May 2017, we sold an aggregate of 12,956,724 shares of our Series F preferred stock to Great Hill Equity Partners V, L.P. and Great Hill Investors, LLC at a purchase price of \$3.8590 per share, for an aggregate purchase price of \$49,999,998. Entities affiliated with Great Hill Partners currently hold more than 5% of our voting securities. Michael Kumin, a member of our board of directors, is a Managing Partner of Great Hill Partners.

**Series G Preferred Stock Financing**

In June 2018, we issued 2,627,625 shares of Series G preferred stock upon conversion of convertible notes to related persons at a purchase price of \$4.7565 for an aggregate purchase price of \$12,498,298. In June and July 2018, we issued 17,029,327 shares of Series G preferred stock to related persons at a purchase price of \$5.2850 for an aggregate purchase price of \$89,999,993. The following table summarizes purchases of our Series G preferred stock by such related persons:

<b>Stockholder</b>	<b>Shares of Series G Preferred Stock</b>	<b>Total Purchase Price</b>
Entities affiliated with Great Hill Partners <sup>(1)(2)</sup>	3,905,771	\$ 20,077,800
Canaan IX, L.P. <sup>(1)(3)</sup>	427,020	2,031,121
Entities affiliated with PWP Growth Equity <sup>(1)(4)</sup>	14,191,106	74,999,995
InterWest Partners X, L.P. <sup>(1)</sup>	427,020	2,031,121
e.ventures Growth, L.P. <sup>(1)</sup>	132,523	630,346
Entities affiliated with Greenspring Associates <sup>(1)(5)</sup>	279,016	1,327,140
Entities affiliated with Greycroft <sup>(1)(6)</sup>	294,496	1,400,768

- (1) Currently holds more than 5% of our outstanding common stock.  
 (2) Entities affiliated with Great Hill Partners include Great Hill Equity Partners V, L.P. and Great Hill Investors, LLC. Michael Kumin, a member of our board of directors, is a Managing Partner of Great Hill Partners.  
 (3) Maha Ibrahim, a member of our board of directors, is a General Partner at Canaan Partners.  
 (4) Entities affiliated with PWP Growth Equity include PWP Growth Equity Fund II LP and PWP Growth Equity Fund II B LP. Chip Baird, a member of our board of directors, is the Co-head of PWP Growth Equity.  
 (5) Entities affiliated with Greenspring Associates include Greenspring Opportunities III, L.P., Greenspring Global Partners VII-A, L.P., Greenspring Global Partners VII-C, L.P., Greenspring Secondaries Fund III, L.P. and AU Special Investments, L.P.  
 (6) Entities affiliated with Greycroft include Greycroft Growth, L.P., Greycroft Partners II, L.P., GCEV Co-Invest TRR, L.P. and GCEV Co-Invest TRR-1, L.P.

**Series H Preferred Stock Financing**

In March 2019, we sold an aggregate of 6,786,721 shares of our Series H preferred stock to related persons at a purchase price of \$6.8748 per share, for an aggregate purchase price of \$46,657,350. The following table summarizes purchases of our Series H preferred stock by such related persons:

<b>Stockholder</b>	<b>Shares of Series H Preferred Stock</b>	<b>Total Purchase Price</b>
Entities affiliated with Greycroft <sup>(1)(2)</sup>	4,336,732	\$29,814,165
Entities affiliated with Great Hill Partners <sup>(1)(3)</sup>	1,304,058	8,965,138
Entities affiliated with PWP Growth Equity <sup>(1)(4)</sup>	709,555	4,878,049
Entities affiliated with Greenspring Associates <sup>(1)(5)</sup>	436,376	2,999,998

- (1) Currently holds more than 5% of our outstanding common stock.  
 (2) Entities affiliated with Greycroft include Greycroft Growth, L.P., Greycroft Partners II, L.P., GCEV Co-Invest TRR, L.P. and GCEV Co-Invest TRR-1, L.P.  
 (3) Entities affiliated with Great Hill Partners include Great Hill Equity Partners V, L.P. and Great Hill Investors, LLC. Michael Kumin, a member of our board of directors, is a Managing Partner of Great Hill Partners.  
 (4) Entities affiliated with PWP Growth Equity include PWP Growth Equity Fund II LP and PWP Growth Equity Fund II B LP. Chip Baird, a member of our board of directors, is the Co-head of PWP Growth Equity.  
 (5) Entities affiliated with Greenspring Associates include Greenspring Opportunities III, L.P., Greenspring Global Partners VII-A, L.P., Greenspring Global Partners VII-C, L.P., Greenspring Secondaries Fund III, L.P. and AU Special Investments, L.P.

**Investors' Rights Agreement**

We are party to an investors' rights agreement, dated as of March 22, 2019 ("IRA"), between us and the holders of these registrable securities which provides, among other things, that certain holders of our capital

stock, including entities affiliated with Great Hill Partners, Canaan Partners, PWP Growth Equity, InterWest Partners, e.ventures, Greenspring Associates and Greycroft have the right to demand that we file a registration statement or request that their shares of our capital stock be covered by a registration statement that we are otherwise filing. Chip Baird, Maha Ibrahim and Michael Kumin, members of our board of directors, are or have been affiliated with PWP Growth Equity, Canaan Partners and Great Hill Partners, respectively. Keval Desai and Mathias Schilling, former members of our board of directors, were affiliated with InterWest Partners, and e.ventures, respectively, during their respective service on our board of directors. Julie Wainwright, our Chief Executive Officer and Chairperson of our board of directors, is a party to the IRA. Rita Sahi, the mother of Rati Sahi Levesque, one of our executive officers, is also a party to the IRA. See the section titled “Description of Capital Stock—Registration Rights” for additional information regarding these registration rights.

#### **Secondary Sales**

Pursuant to certain of our equity compensation plans and certain agreements with our stockholders, including a right of first refusal and co-sale agreement, dated as of March 22, 2019, we or our assignees have a right to purchase shares of our capital stock which stockholders propose to sell to other parties. These rights will terminate immediately prior to the completion of this offering. In September 2018 and March 2019, we waived our right of first refusal in connection with the sale of certain shares of our capital stock by our executive officers, Julie Wainwright, Matt Gustke, Rati Sahi Levesque and Fredrik Björk. Greenspring Associates, who currently holds more than 5% of our outstanding common stock, was the purchaser of certain of such shares.

#### **Indemnification of Directors and Executive Officers**

We have entered into indemnification agreements with each of our directors and executive officers. The indemnification agreements and our bylaws will require us to indemnify our directors to the fullest extent not prohibited by DGCL. Subject to very limited exceptions, our bylaws will also require us to advance expenses incurred by our directors and officers. For more information regarding these agreements, see the section titled “Management—Limitations on Director and Officer Liability and Indemnification.”

#### **Policies and Procedures for Related Party Transactions**

Our audit committee has the primary responsibility for the review, approval and oversight of any “related party transaction,” which is any transaction, arrangement or relationship (or series of similar transactions, arrangements or relationships) in which we, were or will be a participant and the amount involved exceeds \$120,000, and in which the related person has, had or will have a direct or indirect material interest. We intend to adopt a written related party transaction policy to be effective upon the completion of this offering. Under our related party transaction policy, our management will be required to submit any related person transaction not previously approved or ratified by our audit committee to our audit committee. In approving or rejecting the proposed transactions, our audit committee will take into account all of the relevant facts and circumstances available.

**PRINCIPAL STOCKHOLDERS**

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of June 1, 2019 and as adjusted to reflect the sale of our common stock offered by us in this offering for:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common stock;
- each of our directors;
- each of our named executive officers; and
- all directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, common stock subject to options or warrants held by that person that are currently exercisable or exercisable within 60 days of June 1, 2019 are deemed outstanding, but are not deemed outstanding for computing the percentage ownership of any other person. Percentage of beneficial ownership is based on 67,882,529 shares of common stock outstanding as of June 1, 2019 and assumes the conversion of 114,960,357 outstanding shares of our preferred stock into 58,363,606 shares of our common stock immediately prior to the completion of this offering, as if this conversion had occurred as of June 1, 2019. Percentage of beneficial ownership after this offering (assuming no exercise of the underwriters' option to purchase additional shares) also assumes the sale by us of 15,000,000 shares of common stock in this offering.

To our knowledge, except as set forth in the footnotes to this table and subject to applicable community property laws, each person named in the table has sole voting and investment power with respect to the shares set forth opposite such person's name. Except as otherwise indicated, the address of each of the persons in this table is c/o The RealReal, Inc., 55 Francisco Street, Suite 600, San Francisco, CA 94133.

<u>Name of Beneficial Owner</u>	<u>Shares Beneficially Owned Before and After this Offering</u>	<u>Percentage of Shares Beneficially Owned Before this Offering</u>	<u>Percentage of Shares Beneficially Owned After this Offering</u>
<b>Directors and Named Executive Officers:</b>			
Julie Wainwright <sup>(1)</sup>	6,102,093	8.7%	7.2%
Chip Baird <sup>(2)</sup>	7,450,330	11.0	9.0
Maha Ibrahim <sup>(3)</sup>	8,806,919	13.0	10.6
Rob Krolik <sup>(4)</sup>	2,500	*	*
Michael Kumin <sup>(5)</sup>	9,966,731	14.7	12.0
Stefan Larsson <sup>(6)</sup>	11,960	*	*
Niki Leondakis <sup>(7)</sup>	1,250	*	*
James R. Miller <sup>(8)</sup>	1,250	*	*
Matt Gustke <sup>(9)</sup>	456,199	*	*
Rati Sahi Levesque <sup>(10)</sup>	592,667	*	*
All executive officers and directors as a group (12 persons) <sup>(11)</sup>	33,765,964	47.6	39.3
<b>5% Shareholders:</b>			
Entities affiliated with Great Hill Partners <sup>(12)</sup>	9,966,731	14.7	12.0
Canaan IX, L.P. <sup>(13)</sup>	8,806,919	13.0	10.6
Entities affiliated with PWP Growth Equity <sup>(14)</sup>	7,450,330	11.0	9.0
InterWest Partners X, L.P. <sup>(15)</sup>	6,704,080	9.9	8.1
Entities affiliated with Greycroft <sup>(16)</sup>	6,109,726	9.0	7.4
Entities affiliated with e.ventures <sup>(17)</sup>	5,485,700	8.1	6.6
Entities affiliated with Greenspring Associates <sup>(18)</sup>	5,046,148	7.4	6.1

\* Indicates beneficial ownership of less than 1% of the outstanding shares of our common stock.

- (1) Consists of (a) 4,215,321 shares of common stock held by Julie Wainwright, and (b) 1,886,772 shares of common stock issuable upon exercise of options held by Ms. Wainwright that are vested and exercisable as of June 1, 2019 or will become vested and exercisable within 60 days of such date.
- (2) Consists of 7,450,330 shares beneficially owned by entities affiliated with PWP Growth Equity, as set forth in footnote (14). Mr. Baird is the Co-head of PWP Growth Equity and disclaims beneficial ownership of the shares listed in footnote (14) within the meaning of Rule 16a-1(a)(2) promulgated pursuant to the Exchange Act, except to the extent of his proportionate pecuniary interest therein, if any. The address for Mr. Baird is 767 Fifth Avenue, New York, New York 10153.
- (3) Consists of 8,806,919 shares beneficially owned by Canaan IX L.P., as set forth in footnote (13). Ms. Ibrahim is a General Partner at Canaan Partners and disclaims beneficial ownership of the shares listed in footnote (13), except to the extent of her proportionate pecuniary interest therein, if any. The address for Ms. Ibrahim is 2765 Sand Hill Road, Menlo Park, California 94025.
- (4) Consists of 2,500 shares of common stock issuable upon exercise of options held by Rob Krolik that are vested and exercisable as of June 1, 2019 or will become vested and exercisable within 60 days of such date.
- (5) Consists of 9,966,731 shares beneficially owned by entities affiliated with Great Hill Partners, as set forth in footnote (12). Mr. Kumin is a Managing Partner of Great Hill Partners and disclaims beneficial ownership of the shares listed in footnote (12), except to the extent of his proportionate pecuniary interest therein, if any. The address for Mr. Kumin is c/o Great Hill Partners, L.P., One Liberty Square, Boston, Massachusetts 02109.
- (6) Consists of (a) 9,460 shares of common stock held by Stefan Larsson, and (b) 2,500 shares of common stock issuable upon exercise of options held by Mr. Larsson that are vested and exercisable as of June 1, 2019 or will become vested and exercisable within 60 days of such date.
- (7) Consists of 1,250 shares of common stock issuable upon exercise of options held by Niki Leondakis that are vested and exercisable as of June 1, 2019 or will become vested and exercisable within 60 days of such date.
- (8) Consists of 1,250 shares of common stock issuable upon exercise of options held by James R. Miller that are vested and exercisable as of June 1, 2019 or will become vested and exercisable within 60 days of such date.

- (9) Consists of (a) 70,937 shares of common stock held by Matt Gustke, and (b) 385,262 shares of common stock issuable upon exercise of options held by Mr. Gustke that are vested and exercisable as of June 1, 2019 or will become vested and exercisable within 60 days of such date.
- (10) Consists of (a) 102,279 shares of common stock held by Rati Sahi Levesque, and (b) 490,389 shares of common stock issuable upon exercise of options held by Ms. Levesque that are vested and exercisable as of June 1, 2019 or will become vested and exercisable within 60 days of such date.
- (11) Consists of (a) all shares of common stock beneficially owned by our directors and five current executive officers, and (b) all shares of common stock issuable upon exercise of options held by our directors and five current executive officers that are vested and exercisable as of June 1, 2019 or will become vested and exercisable within 60 days of such date.
- (12) Consists of (a) 9,928,262 shares of common stock held by Great Hill Equity Partners V, L.P. ("GHEP V"), LP and (b) 38,469 shares of common stock held by Great Hill Investors, LLC ("GHI"). Great Hill Partners GP V, L.P. ("GHP V GP"), is the general partner of GHEP V, L.P. GHP V, LLC is the managing member of GHP V GP. Christopher Garfney, John G. Hayes, Michael A. Kumin, Mark D. Taber and Matthew T. Vettel (collectively, the "GH Control Persons") are the managers of GHI and GHP V, LLC. As such, each of the GH Control Persons, GHP V, LLC, and GHP V GP may be deemed to beneficially own and have voting, investment and dispositive power with respect to the shares held by GHEP V, LP and GHI. Each of the GH Control Persons, GHP V, LLC and GHP V GP disclaims beneficial ownership of such shares, except to the extent of its or his proportionate pecuniary interest therein, if any. The address of each of GHEP V, LP, GHI, GHP V, LLC, GHP V GP, and the GH Control Persons is c/o Great Hill Partners, L.P., One Liberty Square, Boston, Massachusetts 02109.
- (13) Consists of 8,806,919 shares of common stock held by Canaan IX, L.P. ("Canaan IX"), Canaan Partners IX LLC is the general partner of Canaan IX and may be deemed to beneficially own and have voting, investment and dispositive power with respect to the shares held by Canaan IX. The managing members of Canaan Partners IX LLC are Brenton K. Ahrens, Stephen M. Bloch, Daniel T. Ciporin, Wende S. Hutton, Maha S. Ibrahim, Deepak Kamra, and Guy M. Russo (collectively, the "Canaan Managing Members"). Investment, voting and dispositive decisions with respect to the shares held by Canaan IX are made by the managers of Canaan Partners IX LLC, collectively. The Canaan Managing Members and Canaan Partners IX LLC disclaim beneficial ownership of such shares, except to the extent of its, his, or her proportionate pecuniary interest therein, if any. The address of Canaan IX, Canaan Partners IX LLC, and each of the Canaan Managing Members is 2765 Sand Hill Road, Menlo Park, California 94025.
- (14) Consists of (a) 5,785,182 shares of common stock held by PWP Growth Equity Fund II LP ("PWPGEF II") and (b) 1,665,148 shares of common stock held by PWP Growth Equity Fund II B LP ("PWPGEF II B"). PWP Growth Equity Fund II GP LLC ("PWPGEF II GP") is the general partner of PWPGEF II and of PWPGEF II B. PWPGEF II GP is managed by its managing member, Perella Weinberg Partners Capital Management LP ("PWPCM"). PWPCM is managed by its general partner, Perella Weinberg Partners Capital Management GP LLC ("PWPCMG"). PWPCMG is managed by its managing member, PWP Capital Group LP ("PWPCG"). PWPCG is managed by its general partner, Perella Weinberg Partners Capital Management GP LLC ("PWPCGGP"). PWPCGGP is managed by its managing member, PWP Capital Holdings LP ("PWPCCH"). PWPCCH is managed by its general partner, Perella Weinberg Partners LLC ("PWPLLC"). Each of PWPGEF II GP, PWPCM, PWPCMG, PWPCG, PWPCGGP, PWPCCH and PWPLLC may be deemed to beneficially own and have voting, investment and dispositive power with respect to the shares held by PWPGEF II and PWPGEF II B. Each of PWPGEF II GP, PWPCM, PWPCMG, PWPCG, PWPCGGP, PWPCCH and PWPLLC disclaims beneficial ownership of such shares within the meaning of Rule 16a-1(a)(2) promulgated pursuant to the Exchange Act, except to the extent of its proportionate pecuniary interest therein, if any. Pursuant to a delegation of certain investment management authority by PWPCM to Chip Baird and David Ferguson as portfolio managers of PWP Growth Equity, each of Mr. Baird and Mr. Ferguson may be deemed to beneficially own and share voting, investment and dispositive power with respect to the shares held by PWPGEF II and PWPGEF II B. Each of Mr. Baird and Mr. Ferguson disclaims beneficial ownership of such shares within the meaning of Rule 16a-1(a)(2) promulgated pursuant to the Exchange Act, except to the extent of his proportionate pecuniary interest therein, if any. The address of each of PWPGEF II, PWPGEF II B, PWPGEF II GP, PWPCM, PWPCMG, PWPCG, PWPCGGP, PWPCCH, PWPLLC and Messrs. Baird and Ferguson is 767 Fifth Avenue, New York, New York 10153.
- (15) Consists of 6,704,080 shares of common stock held by InterWest Partners X, L.P. ("IWP X"), InterWest Management Partners X, LLC ("IMP X"), is the general partner of IWP X. Gilbert H. Kliman and Arnold L. Oronsky are Managing Directors of IMP X. Keval Desai and Khaled A. Nasr are Venture Members of IMP X. As such, each of IMP X, Gilbert H. Kliman, Arnold L. Oronsky, Keval Desai and Khaled A. Nasr may be deemed to beneficially own and share voting, investment and dispositive power with respect to the shares held by IWP X. Each of IMP X, Gilbert H. Kliman, Arnold L. Oronsky, Keval Desai and Khaled A. Nasr disclaims beneficial ownership of such shares, except to the extent of its or his proportionate pecuniary interest therein, if any. The address of each of IWP X, IMP X, Gilbert H. Kliman, Arnold L. Oronsky, Keval Desai and Khaled A. Nasr is 2710 Sand Hill Road, Suite 200, Menlo Park, California 94025.
- (16) Consists of (a) 2,131,056 shares of common stock held by Greycroft Partners II, L.P. ("GP II"), (b) 1,810,305 shares of common stock held by Greycroft Growth, L.P. ("GG LP, (c) 1,797,446 shares of common stock held by GCEV Co-Invest TRR, L.P. ("Co-Invest TRR"), and (d) 370,919 shares of common stock held by GCEV Co-Invest TRR-1, L.P. ("Co-Invest TRR-1"). Greycroft Managers II, LLC ("GM II") is the general partner of GP II. Greycroft Growth, LLC ("GG LLC") is the general partner of GG LP. GCEV TRR, LLC ("GCEV TRR") is the general partner of each of Co-Invest TRR and Co-Invest TRR-1. GM II may be deemed to beneficially own and have voting, investment and dispositive power with respect to the shares held by GP II. GG LLC may be deemed to beneficially own and have voting, investment and dispositive power with respect to the shares held by GG LP. GCEV TRR may be deemed to beneficially own and have voting, investment and dispositive power with respect to the shares held by Co-Invest TRR and Co-Invest TRR-1. Each of (i) GM II, GP LLC and GCEV TRR, (ii) Greycroft LP, the management company of each of GP II, GG LP, Co-Invest TRR and Co-Invest TRR-1, and (iii) Dana Settle, Ian Sigalow, John Elton and Mark Terbeck, Directors of each of Greycroft LP, GM II, GP LLC and GCEV TRR, may be deemed to beneficially own and have voting, investment and dispositive power with respect to the shares held

- by GP II, GG LP, Co-Invest TRR and Co-Invest TRR-1. Each of GM II, GG LLC, GCEV TRR, Greycroft LP, Dana Settle, Ian Sigalow, John Elton and Mark Terbeek disclaims beneficial ownership of such shares, except to the extent of its, his or her proportionate pecuniary interest therein, if any. The address of each of GP II, GG LP, Co-Invest TRR, Co-Invest TRR-1, GM II, GG LLC, GCEV TRR, Greycroft LP, Dana Settle, Ian Sigalow, John Elton and Mark Terbeek is 292 Madison Avenue, 20th Floor, New York, New York 10017.
- (17) Consists of (a) 4,671,959 shares of common stock held by BV eVenture Fund II, LP ("BVEVF II") and (b) 813,741 shares of common stock held by e.ventures Growth, L.P. ("EVG"). eVenture Capital Partners II LLC ("EVCP II"), is the general partner of BVEVF II. e.ventures Growth GP, LLC, or EVG GP, is the general partner of EVG. Mathias Schilling and Thomas Gieselmann are the managers of EVG GP and EVCP II. Each of Mathias Schilling and Thomas Gieselmann may be deemed to beneficially own and have voting, investment and dispositive power with respect to the shares held by BVEVF II and EVG. EVCP II may be deemed to beneficially own and have voting, investment and dispositive power with respect to the shares held by BVEVF II. EVG GP may be deemed to beneficially own and have voting, investment and dispositive power with respect to the shares held by EVG. Each of EVCP II, EVG GP, Mathias Schilling and Thomas Gieselmann disclaims beneficial ownership of such shares, except to the extent of its or his proportionate pecuniary interest therein, if any. The address of each of BVEVF II, EVG, EVCP II, EVG GP, Mathias Schilling and Thomas Gieselmann is 600 Montgomery Street, 43rd Floor, San Francisco, California 94111.
- (18) Consists of (a) 1,778,194 shares of common stock held by Greenspring Opportunities III, L.P. ("GO III"), (b) 1,600,375 shares of common stock held by AU Special Investments, L.P., or AU, (c) 973,041 shares of common stock held by Greenspring Global Partners VII-A, L.P. ("GGP VII-A"), (d) 93,874 shares of common stock held by Greenspring Global Partners VII-C, L.P. ("GGP VII-C"), and (e) 600,664 shares of common stock held by Greenspring Secondaries Fund III, L.P. ("Greenspring Secondaries"). Greenspring Opportunities General Partner III, L.P. ("GO III GP"), is the general partner of GO III. Greenspring Opportunities GP III, LLC ("GO III GP LLC"), is the general partner of GO III GP. Greenspring FF-GP III, LLC ("GS FF-GP"), is the general partner of AU. Greenspring SPV, LLC ("GS SPV"), is the member of GS FF-GP. Greenspring General Partner VII, L.P. ("Greenspring General Partner"), is the general partner of GGP VII-A and GGP VII-C. Greenspring GP VII, Ltd. ("Greenspring GP Ltd"), is the general partner of Greenspring General Partner. Greenspring Secondaries General Partner III, L.P. ("Secondaries GP"), is the general partner of Greenspring Secondaries. Greenspring Secondaries GP III, LLC ("Secondaries GP LLC"), is the general partner of Secondaries GP. Greenspring Associates, Inc. ("Greenspring Associates"), is the managing member of each of GO III GP LLC, GS SPV and Secondaries GP LLC. C. Ashton Newhall and James Lim are the directors of each of Greenspring GP Ltd. and Greenspring Associates. Each of C. Ashton Newhall and James Lim may be deemed to beneficially own and have voting, investment and dispositive power with respect to the shares held by GO III, AU, GGP VII-A, GGP VII-C and Greenspring Secondaries. Each of GO III GP LLC and GO III GP may be deemed to beneficially own and have voting, investment and dispositive power with respect to the shares held by GO III. Each of GS FF-GP and GS SPV may be deemed to beneficially own and have voting, investment and dispositive power with respect to the shares held by AU. Each of Greenspring GP Ltd. and Greenspring General Partner may be deemed to beneficially own and have voting, investment and dispositive power with respect to the shares held by GGP VII-A and GGP VII-C. Each of Secondaries GP and Secondaries GP LLC may be deemed to beneficially own and have voting, investment and dispositive power with respect to the shares held by Greenspring Secondaries. Each of GO III GP, GO III GP LLC, GS FF-GP, GS SPV, Greenspring General Partner, Greenspring GP Ltd, Secondaries GP, Secondaries GP LLC, Greenspring Associates, C. Ashton Newhall and James Lim disclaims beneficial ownership of such shares, except to the extent of its or his proportionate pecuniary interest therein, if any. The address of each of GO III, AU, GGP VII-A, GGP VII-C, Greenspring Secondaries, GO III GP, GO III GP LLC, GS FF-GP, GS SPV Greenspring General Partner, Greenspring GP Ltd, Secondaries GP, Secondaries GP LLC, Greenspring Associates, C. Ashton Newhall, and James Lim is 100 Painters Mill Road, Suite 700, Owings Mills, Maryland 21117.

## DESCRIPTION OF CAPITAL STOCK

This section contains a description of our capital stock and the material provisions of our certificate of incorporation and bylaws that will be in effect upon the completion of this offering and is qualified by reference to the forms of our certificate of incorporation and our bylaws filed as exhibits to the registration statement relating to this prospectus, and by the applicable provisions of Delaware law.

### **General**

Upon the completion of this offering, our certificate of incorporation will authorize 500,000,000 shares of common stock, \$0.00001 par value per share, and 50,000,000 shares of undesignated preferred stock, \$0.00001 par value per share, the rights, preferences and privileges of which may be designated from time to time by our board of directors.

Assuming the conversion of all outstanding shares of our preferred stock into shares of our common stock, which will occur immediately prior to the completion of this offering, as of March 31, 2019, there were outstanding 67,700,671 shares of our common stock, held by approximately 263 stockholders of record, and 9,204,328 shares of our common stock issuable upon exercise of outstanding stock options.

### **Common Stock**

#### ***Dividend Rights***

Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of our common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and only then at the times and in the amounts that our board of directors may determine. See the section titled "Dividend Policy" for more information.

#### ***Voting Rights***

The holders of our common stock are entitled to one vote per share. Stockholders do not have the ability to cumulate votes for the election of directors. Our certificate of incorporation and bylaws that will be in effect upon completion of this offering will provide for a classified board of directors consisting of three classes of approximately equal size, each serving staggered three-year terms. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms.

#### ***No Preemptive or Similar Rights***

Our common stock is not entitled to preemptive rights and is not subject to redemption or sinking fund provisions.

#### ***Right to Receive Liquidation Distributions***

Upon our liquidation, dissolution or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of preferred stock.



**Preferred Stock**

Pursuant to the provisions of our certificate of incorporation in effect prior to this offering, our outstanding shares of preferred stock will automatically be converted into 58,363,606 shares of common stock immediately prior to the completion of this offering. Following the completion of this offering, no shares of our preferred stock will be outstanding.

Pursuant to our certificate of incorporation that will become effective immediately prior to the completion of this offering, our board of directors will be authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series and to fix the designation, powers, preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions, in each case without further vote or action by our stockholders. Our board of directors can also increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control and might adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. We have no current plan to issue any shares of preferred stock.

**Stock Options**

As of March 31, 2019, we had outstanding options to purchase an aggregate of 9,204,328 shares of our common stock, with a weighted-average exercise price of \$3.32 per share, pursuant to our 2011 Plan.

**Registration Rights**

Following the completion of this offering, the holders of an aggregate of 65,718,290 shares of our common stock, including 58,363,606 shares of common stock issuable upon conversion of our preferred stock, or their permitted transferees, will be entitled to rights with respect to the registration of these shares under the Securities Act. These shares are referred to as registrable securities. These rights are provided under the terms of our investors' rights agreement, which registration rights include demand registration rights, Form S-3 registration rights and piggyback registration rights. All fees, costs and expenses incurred in connection with the registration of registrable securities, including reasonable fees and disbursements of one special counsel to the selling stockholders, will be borne by us and all selling expenses, including underwriting discounts and selling commissions, will be borne by the holders of the shares being registered.

The registration rights terminate upon the earlier of (1) the closing of a deemed liquidation event and (2) five years following the completion of this offering.

***Demand Registration Rights***

Under the terms of the IRA, if we receive a written request, at any time after 180 days following the effective date of this offering, from the holders of at least a majority of the registrable securities then outstanding that we file a registration statement under the Securities Act covering the registration of registrable securities and if the aggregate price to the public of the shares offered is at least \$30.0 million, net of selling expenses, then we will be required to file as soon as practicable, and in any event no later than 60 days following such request, a registration statement covering all registrable securities requested to be registered for public resale. We are required to effect only two registrations pursuant to this provision of the IRA, and may postpone the filing of a registration statement for up to 60 days twice in any 12-month period if our board of directors determines that the

filing would be seriously detrimental to us and our stockholders. We are not required to effect a demand registration under certain additional circumstances specified in the IRA, including at any time during the 180-day period after the effective date of this offering.

**Form S-3 Registration Rights**

The holders of a majority of the registrable securities can request that we register all or part of their shares on Form S-3 if we are eligible to file a registration statement on Form S-3 and if the aggregate price to the public of the shares offered is at least \$10.0 million, net of selling expenses. Upon such a request, we would be required to file as soon as practicable, and in any event no later than 45 days following such a request, a registration statement covering all registrable securities requested to be registered for public resale. We are not required to file a registration on Form S-3 if we have filed two registrations on Form S-3 in the proceeding 12-month period and may postpone the filing of a registration statement on Form S-3 for up to 60 days twice in any 12-month period if our board of directors determines that the filing would be seriously detrimental to us and our stockholders. We are not required to file a registration statement on Form S-3 under certain additional circumstances specified in the IRA.

**Piggyback Registration Rights**

If we register any of our securities for public sale, each holder of registrable securities has a right to request the inclusion of any then-outstanding registrable securities held by them on our registration statement. However, this right does not apply to a registration relating solely to employee benefit plans, a corporate reorganization or stock issuable upon conversion of debt securities. If the underwriters of any underwritten offering determine in their reasonable discretion to limit the number of registrable securities to be included in such underwritten offering, the number of registrable securities to be registered will be apportioned pro rata among such holders, based on the number of registrable securities held by each holder. However, the number of registrable securities to be registered cannot be reduced below 25% of the total shares covered by the registration statement, other than in the initial public offering.

**Anti-Takeover Provisions**

The provisions of the Delaware General Corporation Law (“DGCL”), our certificate of incorporation and our bylaws to be in effect following this offering could have the effect of delaying, deferring or discouraging another person from acquiring control of our company. These provisions, which are summarized below, are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and encourage persons seeking to acquire control of our company to first negotiate with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us because negotiation of these proposals could result in an improvement of their terms.

**Section 203 of the DGCL**

We are subject to the provisions of Section 203 of the DGCL regulating corporate takeovers. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a three-year period following the date that this stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. Under Section 203, a business combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following conditions:

- before the stockholder became interested, our board of directors approved either the business combination or the transaction, which resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction, which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, shares owned by persons who are directors and also officers, and employee stock plans in some instances, but not the outstanding voting stock owned by the interested stockholder; or
- at or after the time the stockholder became interested, the business combination was approved by our board and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock, which is not owned by the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, lease, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to exceptions, any transaction that results in the issuance of transfer by the corporation of any stock of the corporation to the interested stockholder;
- subject to exceptions, any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; and
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by the entity or person.

#### ***Certificate of Incorporation and Bylaw Provisions***

Our certificate of incorporation and our bylaws will include a number of provisions that may have the effect of deterring hostile takeovers, or delaying or preventing changes in control of our management team or changes in our board of directors or our governance or policy, including the following:

##### *Board Vacancies*

Our certificate of incorporation and bylaws will authorize generally only our board of directors to fill vacant directorships resulting from any cause or created by the expansion of our board of directors. In addition, the number of directors constituting our board of directors may be set only by resolution adopted by a majority vote of our entire board of directors. These provisions prevent a stockholder from increasing the size of our board of directors and gaining control of our board of directors by filling the resulting vacancies with its own nominees.

##### *Classified Board*

Our certificate of incorporation and bylaws will provide that our board of directors is classified into three classes of directors. The existence of a classified board of directors could delay a successful tender offeror from obtaining majority control of our board of directors, and the prospect of that delay might deter a potential offeror. See the section titled “Management—Corporate Governance—Classified Board of Directors” for additional information.

##### *Directors Removed Only for Cause*

Our certificate of incorporation will provide that stockholders may remove directors only for cause.

*Supermajority Requirements for Amendments of Our Certificate of Incorporation and Bylaws*

Our certificate of incorporation will further provide that the affirmative vote of holders of at least two-thirds of the voting power of our outstanding common stock will be required to amend certain provisions of our certificate of incorporation, including provisions relating to the classified board, the size of the board of directors, removal of directors, special meetings, actions by written consent and designation of our preferred stock. The affirmative vote of holders of at least two-thirds of the voting power of our outstanding common stock will be required to amend or repeal our bylaws, although our bylaws may be amended by a simple majority vote of our board of directors.

*Stockholder Action; Special Meetings of Stockholders*

Our certificate of incorporation will provide that our stockholders may not take action by written consent, but may only take action at annual or special meetings of our stockholders. As a result, holders of our capital stock would not be able to amend our bylaws or remove directors without holding a meeting of our stockholders called in accordance with our bylaws. Our certificate of incorporation and our bylaws will provide that special meetings of our stockholders may be called only by a majority of our board of directors, the chairperson of our board of directors, our chief executive officer, our president or the lead independent director, thus prohibiting a stockholder from calling a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders to take any action, including the removal of directors.

*Advance Notice Requirements for Stockholder Proposals and Director Nominations*

Our bylaws will provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders or to nominate candidates for election as directors at our annual meeting of stockholders. To be timely, a stockholder's notice generally must be delivered to us not later than the close of business on the 90<sup>th</sup> day nor earlier than the close of business on the 120<sup>th</sup> day prior to the first anniversary of the preceding year's annual meeting of stockholders. Our bylaws also will specify certain requirements regarding the form and content of a stockholder's notice. With respect to nominations of persons for election to our board of directors, the notice shall provide information about the nominee, including, among other things, name, age, address, principal occupation, ownership of our capital stock and whether they meet applicable independence requirements. With respect to the proposal of other business to be considered by our stockholders at an annual meeting, the notice shall provide a brief description of the business desired to be brought before the meeting, the text of the proposal or business, the reasons for conducting such business at the meeting and any material interest in such business by such stockholder and any beneficial owners and associated persons on whose behalf the notice is made, or the proposing persons. In addition, a stockholder's notice must set forth certain information related to the proposing persons, including, among other things:

- the name and address of the proposing persons;
- information as to the ownership by the proposing persons of our capital stock and any derivative interest or short interest in any of our securities held by the proposing persons;
- information as to any material relationships and interest between the proposing persons and us, any of our affiliates and any of our principal competitors;
- a representation that the stockholder is a holder of record of our stock entitled to vote at that meeting and that the stockholder intends to appear in person or by proxy at the meeting to propose such nomination or business; and
- a representation whether the proposing persons intend or are part of a group which intends to deliver a proxy statement or form of proxy to holders of at least the percentage of our outstanding capital stock required to elect the nominee or carry the proposal.

These provisions may preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders. We expect that

these provisions might also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.

*No Cumulative Voting*

The DGCL provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our certificate of incorporation and bylaws will not provide for cumulative voting.

*Issuance of Undesignated Preferred Stock*

We anticipate that after the filing of our certificate of incorporation, our board will have the authority, without further action by the stockholders, to issue up to 50,000,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock enables our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise.

*Exclusive Forum*

Our certificate of incorporation will provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf under Delaware law, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action arising pursuant to any provision of the Delaware General Corporation Law or our certificate of incorporation or bylaws, (4) any other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) or (5) any other action asserting an "internal corporate claim," as defined in Section 115 of the Delaware General Corporation Law, in all cases subject to the court having jurisdiction over indispensable parties named as defendants. These exclusive-forum provisions do not apply to claims under the Securities Act or the Exchange Act. Any person or entity purchasing or otherwise acquiring any interest in our securities shall be deemed to have notice of and consented to this provision. Although we believe these provisions benefit us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against us or our directors and officers.

**Transfer Agent and Registrar**

Upon the completion of this offering, the transfer agent and registrar for our common stock will be Computershare Trust Company, N.A. The transfer agent's address is 250 Royall Street, Canton, MA 02021, and its telephone number is (800) 962-4284.

**Exchange Listing**

We intend to apply to list our common stock on The Nasdaq Global Select Market under the symbol "REAL."

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and we cannot predict the effect, if any, that market sales of our common stock or the availability of our common stock for sale will have on the market price of our common stock prevailing from time to time. Future sales of our common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of our common stock will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and our ability to raise equity capital in the future.

Following the completion of this offering, based on the number shares of our common stock outstanding as of March 31, 2019, and assuming no exercise of outstanding options after such date, we will have a total of \_\_\_\_\_ shares of common stock outstanding.

Of those outstanding shares, 15,000,000 shares of common stock sold in the offering will be freely tradeable, except that any shares purchased in this offering by our affiliates, as that term is defined in Rule 144 under the Securities Act, would only be able to be sold in compliance with the Rule 144 limitations described below.

The remaining outstanding common stock will be, and shares subject to outstanding options will be upon issuance, deemed “restricted securities” as defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if they are registered or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, which rules are summarized below. All of our executive officers, directors and holders of substantially all of our equity securities are subject to lock-up agreements under which they have agreed, subject to specific exceptions, not to sell any of our equity securities for 180 days following the date of this prospectus. As a result of these agreements and subject to the provisions of Rule 144 or Rule 701, common stock will be available for sale in the public market as follows:

- beginning on the date of this prospectus, all 15,000,000 shares of our common stock sold in this offering will be immediately available for sale in the public market; and
- beginning 181 days after the date of this prospectus (subject to the terms of the lock-up and market standoff agreements described below), 67,700,671 additional shares will become eligible for sale in the public market, of which 30,711,879 shares will be held by affiliates and subject to the volume and other restrictions of Rule 144, as described below.

### Lock-Up Agreements

We, our directors and officers and holders of substantially all of our equity securities have agreed, subject to certain exceptions, not to offer, pledge sell, contract to sell, transfer, lend or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for common stock, for 180 days after the date of this prospectus without first obtaining the written consent of Credit Suisse Securities (USA) LLC and BofA Securities, Inc., on behalf of the underwriters. These agreements are described below under the section titled “Underwriting.”

### Rule 144

In general, Rule 144 provides that once we have been subject to the public company reporting requirements of Section 13 or Section 15(d) of the Exchange Act for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the common stock proposed to be sold for at least six months is entitled to sell those shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the

common stock proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then that person would be entitled to sell those shares without complying with any of the requirements of Rule 144.

In general, Rule 144 provides that our affiliates or persons selling our common stock on behalf of our affiliates are entitled to sell upon expiration of the market standoff agreements and lock-up agreements described above, within any three-month period, a number of our common stock that does not exceed the greater of:

- 1% of the number of our common stock then outstanding, which will equal 827,007 shares immediately after the completion of this offering; or
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale.

Sales of our common stock made in reliance upon Rule 144 by our affiliates or persons selling our common stock on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

#### **Rule 701**

Rule 701 generally allows a stockholder who purchased our common stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required to wait until 90 days after the date of this prospectus before selling those shares pursuant to Rule 701.

#### **Registration Rights**

Pursuant to our IRA, after the completion of this offering, the holders of up to 65,718,290 shares of our common stock, or certain transferees, will be entitled to certain rights with respect to the registration of the offer and sale of those shares under the Securities Act. See the section titled “Description of Capital Stock—Registration Rights” for a description of these registration rights. If the offer and sale of these shares of our common stock are registered, the shares will be freely tradable without restriction under the Securities Act, subject to the Rule 144 limitations applicable to affiliates, and a large number of shares may be sold into the public market.

#### **Registration Statement**

We intend to file a registration statement on Form S-8 under the Securities Act promptly after the effectiveness of this offering to register shares of our common stock subject to options outstanding, as well as reserved for future issuance, under our equity compensation plans. The registration statement on Form S-8 is expected to become effective immediately upon filing, and shares of our common stock covered by the registration statement will then become eligible for sale in the public market, subject to the Rule 144 limitations applicable to affiliates, vesting restrictions and any applicable market standoff agreements and lock-up agreements. See the section titled “Executive Compensation—Equity Compensation Plans” for a description of our equity compensation plans.

**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR COMMON STOCK**

The following is a summary of material U.S. federal income tax consequences of the ownership and disposition of shares of our common stock as of the date hereof. Except where noted, this summary deals only with common stock that is held as a capital asset by a non-U.S. holder (as defined below). This summary is based upon provisions of the Code and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income consequences different from those summarized below. We cannot assure you that a change in law will not alter significantly the tax considerations that we describe in this summary.

A “non-U.S. holder” means a beneficial owner of shares of our common stock (other than an entity treated as a partnership for U.S. federal income tax purposes) that is not, for U.S. federal income tax purposes, any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons as defined under the Code have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

This summary does not address all aspects of U.S. federal income taxation that may be relevant to non-U.S. holders in light of their particular circumstances. In addition, this summary does not address the Medicare tax on certain net investment income, U.S. federal gift or estate tax laws, any state, local or non-U.S. tax laws or any tax treaties. This summary also does not address the U.S. federal income tax consequences applicable to non-U.S. holders that are subject to special treatment under the U.S. federal income tax laws, including (without limitation) former citizens or long-term residents of the United States, foreign pension funds, “controlled foreign corporations,” “passive foreign investment companies,” financial institutions, insurance companies, regulated investment companies, real estate investment trusts, mutual funds, broker-dealers, traders in securities or other persons that elect to use a mark-to-market method of accounting for their holdings in our common stock, persons who hold our common stock as “qualified small business stock” within the meaning of Section 1202 of the Code, persons who hold our common stock as a position in a hedging transaction, “straddle,” “conversion transaction,” or other risk reduction transaction or integrated investment, persons subject to the alternative minimum tax, persons who acquired our common stock through stock options or in other compensatory transactions or partnerships or other pass-through entities for U.S. federal income tax purposes.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds shares of our common stock, the tax treatment of a partner will generally depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, we urge partners in partnerships (including entities or arrangements treated as partnerships for U.S. federal income tax purposes) considering the purchase of our common stock to consult their tax advisors regarding the U.S. federal income tax considerations of the purchase, ownership and disposition of our common stock by such partnership.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. PROSPECTIVE INVESTORS ARE ENCOURAGED TO CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATION, AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE,



OWNERSHIP AND DISPOSITION OF OUR STOCK ARISING UNDER THE U.S. FEDERAL GIFT OR ESTATE TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL, NON-U.S. OR OTHER TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

**Distributions**

Distributions of cash or property on our common stock will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed our current and accumulated earnings and profits, the distributions will be treated as a nontaxable return of capital to the extent of the non-U.S. holder's tax basis in our common stock and thereafter as capital gain from the sale or exchange of such common stock. Please read "—Sales or other Taxable Dispositions." Subject to the withholding rules discussed below under "—Backup Withholding and Information Reporting" and "—Additional Withholding Requirements under FATCA" and with respect to effectively connected dividends, any distribution made to a non-U.S. holder on our common stock generally will be subject to U.S. withholding tax at a rate of 30% of the gross amount of the distribution unless an applicable income tax treaty provides for a lower rate. To receive the benefit of a reduced treaty rate, a non-U.S. holder must provide the applicable withholding agent with a properly executed IRS Form W-8BEN or IRS Form W-8BEN-E (or other applicable or successor form) certifying qualification for the reduced rate, and the non-U.S. holder will be required to update such forms and certifications from time to time as required by law. A non-U.S. holder eligible for a reduced rate of U.S. federal withholding tax pursuant to an income tax treaty may be eligible to obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. If the non-U.S. holder holds our common stock through a financial institution or other agent acting on the non-U.S. holder's behalf, the non-U.S. holder will be required to provide appropriate documentation to the agent, which then will be required to provide certification to us or our paying agent, either directly or through other intermediaries. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under an applicable income tax treaty.

If dividends paid to a non-U.S. holder are effectively connected with a trade or business conducted by the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, are treated as attributable to a permanent establishment maintained by the non-U.S. holder in the United States), the non-U.S. holder will be exempt from the U.S. withholding tax described above, provided the non-U.S. holder satisfies certain certification requirements by providing the applicable withholding agent a properly executed IRS Form W-8ECI certifying eligibility for exemption, and the non-U.S. holder will be required to update such forms and certifications from time to time as required by law. Any such effectively connected dividends generally will be taxed on a net income basis at the rates and in the manner generally applicable to United States persons (as defined under the Code). If the non-U.S. holder is a corporation for U.S. federal income tax purposes, it may also be subject to a branch profits tax (at a 30% rate or such lower rate as specified by an applicable income tax treaty) on its effectively connected earnings and profits (as adjusted for certain items), which will include effectively connected dividends. Non-U.S. holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

**Sales or other Taxable Dispositions**

Subject to the discussion below under "—Backup Withholding and Information Reporting", any gain realized by a non-U.S. holder on the sale or other disposition of our common stock generally will not be subject to U.S. federal income tax unless:

- the gain is effectively connected with a trade or business of the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment of the non-U.S. holder);
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or

- we are or have been a “United States real property holding corporation” for U.S. federal income tax purposes and certain other conditions are met.

A non-U.S. holder described in the first bullet point immediately above will be subject to tax on the gain derived from the sale or other disposition in the same manner as if the non-U.S. holder were a U.S. person as defined under the Code. In addition, if any non-U.S. holder described in the first bullet point immediately above is a foreign corporation, the gain realized by such non-U.S. holder may be subject to an additional “branch profits tax” at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. An individual non-U.S. holder described in the second bullet point immediately above will be subject to a 30% (or such lower rate as may be specified by an applicable income tax treaty) tax on the gain derived from the sale or other disposition, which gain may be offset by U.S. source capital losses even though the individual is not considered a resident of the United States.

Generally, a corporation is a “United States real property holding corporation” (“USRPHC”) if the fair market value of its U.S. real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business (all as determined for U.S. federal income tax purposes). We believe that we are not currently and will not become a USRPHC, and the remainder of this discussion assumes this is the case. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property interests relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. If we are or become a USRPHC, however, so long as our common stock is regularly traded on an established securities market during the calendar year in which the sale or other disposition occurs, only a non-U.S. holder who actually or constructively holds or held (at any time during the shorter of the five-year period preceding the date of disposition or the holder’s holding period) more than 5% of our common stock will be subject to U.S. federal income tax on the sale or other disposition of our common stock.

#### **Backup Withholding and Information Reporting**

Any dividends paid to a non-U.S. holder must be reported annually to the IRS and to the non-U.S. holder. Copies of these information returns may be made available to the tax authorities in the country in which the non-U.S. holder resides or is established. Payments of dividends to a non-U.S. holder generally will not be subject to backup withholding if the non-U.S. holder establishes an exemption by properly certifying its non-U.S. status on an IRS Form W-8BEN, IRS Form W-8BEN-E or other applicable or successor form.

Payments of the proceeds from a sale or other disposition by a non-U.S. holder of our common stock effected by or through the office of a broker generally will be subject to information reporting and backup withholding (currently at the rate of 24%) unless the non-U.S. holder establishes an exemption by properly certifying its non-U.S. status on an IRS Form W-8BEN, IRS Form W-8BEN-E or other applicable or successor form and certain other conditions are met. Information reporting and backup withholding generally will not apply to any payment of the proceeds from a sale or other disposition of our common stock effected outside the United States by a non-U.S. office of a broker. However, unless such broker has documentary evidence in its records that the holder is not a United States person and certain other conditions are met, or the non-U.S. holder otherwise establishes an exemption, information reporting will apply to a payment of the proceeds of the disposition of our common stock effected outside the United States by such a broker if it has certain relationships within the United States. Notwithstanding the foregoing, backup withholding and information reporting may apply if either we or our paying agent has actual knowledge, or reason to know, that the non-U.S. holder is a United States person who is not an exempt recipient under the Code and applicable Treasury regulations.

Backup withholding is not an additional tax. Rather, the U.S. income tax liability (if any) of persons subject to backup withholding will be reduced by the amount of tax withheld. If backup withholding results in an overpayment of taxes, a refund may be obtained, provided that the required information is timely furnished to the IRS.

**Additional Withholding Requirements under FATCA**

Sections 1471 through 1474 of the Code, and the Treasury regulations and administrative guidance issued thereunder (“FATCA”), impose a 30% withholding tax on any dividends paid on our common stock if paid to a “foreign financial institution” or a “non-financial foreign entity” (each as defined in the Code) (including, in some cases, when such foreign financial institution or non-financial foreign entity is acting as an intermediary), unless (1) in the case of a foreign financial institution, such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are non-U.S. entities with U.S. owners); (2) in the case of a non-financial foreign entity, such entity certifies that it does not have any “substantial United States owners” (as defined in the Code) or provides the applicable withholding agent with a certification identifying the direct and indirect substantial United States owners of the entity (in either case, generally on an IRS Form W-8BEN-E) and provides certain information with respect to such United States owners; or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules and provides appropriate documentation (such as an IRS Form W-8BEN-E). The Treasury Secretary has issued proposed regulations providing that the withholding provisions under FATCA do not apply with respect to gross proceeds from a sale or other disposition of our common stock, which may be relied upon by taxpayers until final regulations are issued. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing these rules may be subject to different rules. Under certain circumstances, a holder might be eligible for refunds or credits of such taxes.

INVESTORS CONSIDERING THE PURCHASE OF OUR COMMON STOCK ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AND THE APPLICABILITY AND EFFECT OF U.S. FEDERAL GIFT AND ESTATE TAX LAWS AND ANY STATE, LOCAL OR NON-U.S. TAX LAWS AND TAX TREATIES.

**UNDERWRITING**

Under the terms and subject to the conditions contained in an underwriting agreement dated \_\_\_\_\_, we have agreed to sell to the underwriters named below, for whom Credit Suisse Securities (USA) LLC, BofA Securities, Inc. and UBS Securities LLC are acting as representatives, the following respective numbers of shares of common stock:

<u>Underwriter</u>	<u>Number of Shares</u>
Credit Suisse Securities (USA) LLC	
BofA Securities, Inc.	
UBS Securities LLC	
KeyBanc Capital Markets Inc.	
Stifel, Nicolaus & Company	
Cowen and Company, LLC	
Raymond James & Associates, Inc.	
Total	<u>15,000,000</u>

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

We have agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make in respect of those liabilities.

We have granted to the underwriters a 30-day option to purchase on a pro rata basis up to 2,250,000 additional shares from us at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of \$ \_\_\_\_\_ per share. After the initial public offering the representatives may change the public offering price and concession and discount to broker/dealers.

The following table summarizes the compensation that we will pay:

	<u>Per Share</u>		<u>Total</u>	
	<u>Without Over-allotment</u>	<u>With Over-allotment</u>	<u>Without Over-allotment</u>	<u>With Over-allotment</u>
Underwriting Discounts and Commissions paid by us	\$	\$	\$	\$
Expenses payable by us	\$	\$	\$	\$

We estimate that our out of pocket expenses for this offering excluding the underwriting discounts and commissions will be approximately \$5.3 million. We have also agreed to reimburse the underwriters for up to \$40,000 of expenses related to the review of this offering by the Financial Industry Regulatory Authority, Inc. ("FINRA"). In accordance with FINRA Rule 5110, this reimbursed fee is deemed underwriting compensation for this offering.

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act

relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of the representatives for a period of 180 days after the date of this prospectus, except for (1) issuances pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options, in each case outstanding on the date hereof and described in the prospectus and (2) grants of employee stock options pursuant to the terms of a plan in effect on the date hereof and described in the prospectus.

Our officers and directors and substantially all of our security holders have agreed, subject to certain exceptions, that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition, or to enter into any such transaction, swap, hedge or other arrangement, or make any demand for or exercise any right with respect to the registration of our common stock, without, in each case, the prior written consent of Credit Suisse Securities (USA) LLC and BofA Securities, Inc. for a period of 180 days after the date of this prospectus.

Credit Suisse Securities (USA) LLC and BofA Securities, Inc., on behalf of the underwriters, in their sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice. At least three business days before the effectiveness of any release or waiver of the restrictions described above in connection with any transfer of shares of common stock by an officer or director, Credit Suisse Securities (USA) LLC and BofA Securities, Inc. will notify us of the impending release or waiver of any restriction and we have agreed to announce the impending release or waiver by press release through a major news service at least two business days before the effective date of the release or waiver, except where the release or waiver is effected solely to permit a transfer of common stock that is not for consideration and where the transferee has agreed in writing to be bound by the same terms as the lock-up agreements described above to the extent and for the duration that such terms remain in effect at the time of transfer.

We have agreed to indemnify the underwriters against certain liabilities under the Securities Act or contribute to payments that the underwriters may be required to make in that respect.

We have applied to list the shares of common stock on The Nasdaq Global Select Market under the symbol "REAL."

Prior to this offering, there has been no public market for our common stock. The initial public offering price was determined by negotiations among us and the representatives and will not necessarily reflect the market price of the common stock following this offering. The principal factors that were considered in determining the initial public offering price included:

- the information presented in this prospectus and otherwise available to the underwriters;
- the history of, and prospects for, the industry in which we will compete;
- the ability of our management;
- the prospects for our future earnings;
- the present state of our development, results of operations and our current financial condition;
- the general condition of the securities markets at the time of this offering; and
- the recent market prices of, and the demand for, publicly traded common stock of generally comparable companies.

We cannot assure you that the initial public offering price will correspond to the price at which the common stock will trade in the public market subsequent to this offering or that an active trading market for the common stock will develop and continue after this offering.

In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing shares in the open market.
- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing transaction or a syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on or otherwise and, if commenced, may be discontinued at any time.

A prospectus in electronic format will be made available on the websites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make Internet distributions on the same basis as other allocations.

#### **Selling Restrictions**

##### ***Notice to Prospective Investors in Australia***

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission, in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the "Corporations Act"), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons, or Exempt Investors, who are “sophisticated investors” (within the meaning of section 708(8) of the Corporations Act), “professional investors” (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

***Notice to Prospective Investors in Bermuda***

Shares may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act of 2003 of Bermuda which regulates the sale of securities in Bermuda. Additionally, non-Bermudian persons (including companies) may not carry on or engage in any trade or business in Bermuda unless such persons are permitted to do so under applicable Bermuda legislation.

***Notice to Prospective Investors in the British Virgin Islands***

The shares are not being, and may not be, offered to the public or to any person in the British Virgin Islands for purchase or subscription by or on behalf of the company. The shares may be offered to companies incorporated under the BVI Business Companies Act, 2004 (British Virgin Islands) (“BVI Companies”), but only where the offer will be made to, and received by, the relevant BVI Company entirely outside of the British Virgin Islands.

This prospectus has not been, and will not be, registered with the Financial Services Commission of the British Virgin Islands. No registered prospectus has been or will be prepared in respect of the shares for the purposes of the Securities and Investment Business Act, 2010 or the Public Issuers Code of the British Virgin Islands.

***Canada***

The shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

***Cayman Islands***

No offer or invitation to subscribe for shares or units may be made to the public in the Cayman Islands.

***Notice to Prospective Investors in China***

This prospectus does not constitute a public offer of shares, whether by sale or subscription, in the People's Republic of China (the "PRC"). The shares are not being offered or sold directly or indirectly in the PRC to or for the benefit of, legal or natural persons of the PRC.

Further, no legal or natural persons of the PRC may directly or indirectly purchase any of the shares or any beneficial interest therein without obtaining all prior PRC's governmental approvals that are required, whether statutorily or otherwise. Persons who come into possession of this document are required by the issuer and its representatives to observe these restrictions.

***Notice to Prospective Investors in the Dubai International Financial Centre ("DIFC")***

This document relates to an Exempt Offer in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority ("DFSA"). This document is intended for distribution only to persons of a type specified in the Markets Rules 2012 of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for this document. The securities to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this document you should consult an authorized financial advisor.

In relation to its use in the DIFC, this document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. The interests in the securities may not be offered or sold directly or indirectly to the public in the DIFC.

***European Economic Area***

In relation to each Country of the European Economic Area that has implemented the Prospectus Directive, each, a Relevant Country, an offer to the public of any shares of our common stock may not be made in that Relevant Country, except that an offer to the public in that Relevant Country of any shares of our common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Country:

- (a) to any legal entity that is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Country has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares of our common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.



For the purposes of this provision, the expression an “offer to the public” in relation to any shares of our common stock in any Relevant Country means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of our common stock to be offered so as to enable an investor to decide to purchase any shares of our common stock, as the same may be varied in that Relevant Country by any measure implementing the Prospectus Directive in that Relevant Country, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Country), and includes any relevant implementing measure in the Relevant Country, and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

***Notice to Prospective Investors in Hong Kong***

The securities have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the securities has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

***Notice to Prospective Investors in Japan***

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, “Japanese Person” shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

***Notice to Prospective Investors in Korea***

The shares have not been and will not be registered under the Financial Investments Services and Capital Markets Act of Korea and the decrees and regulations thereunder (the “FSCMA”), and the shares have been and will be offered in Korea as a private placement under the FSCMA. None of the shares may be offered, sold or delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law of Korea and the decrees and regulations thereunder (the “FETL”). Furthermore, the purchaser of the shares shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the shares. By the purchase of the shares, the relevant holder thereof will be deemed to represent and warrant that if it is in Korea or is a resident of Korea, it purchased the shares pursuant to the applicable laws and regulations of Korea.

***Kuwait***

Unless all necessary approvals from the Kuwait Capital Markets Authority (“CMA”), pursuant to Law No. 7/2010, its Executive Regulations and the various Resolutions and Announcements issued pursuant thereto or in connection therewith have been given in relation to the marketing of, and sale of, the shares of common stock, these may not be offered for sale, nor sold in the State of Kuwait (“Kuwait”). Neither this prospectus nor

any of the information contained herein is intended to lead to the conclusion of any contract of whatsoever nature within Kuwait.

With regard to the contents of this document we recommend that you consult a party licensed by the CMA to conduct securities activities in Kuwait and specialized in giving advice about the purchase of shares of common stock and other securities before making the subscription decision.

***Notice to Prospective Investors in Malaysia***

No prospectus or other offering material or document in connection with the offer and sale of the shares has been or will be registered with the Securities Commission of Malaysia ("Commission") for the Commission's approval pursuant to the Capital Markets and Services Act 2007. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Malaysia other than (1) a closed end fund approved by the Commission; (2) a holder of a Capital Markets Services License; (3) a person who acquires the shares, as principal, if the offer is on terms that the shares may only be acquired at a consideration of not less than RM250,000 (or its equivalent in foreign currencies) for each transaction; (4) an individual whose total net personal assets or total net joint assets with his or her spouse exceeds RM3 million (or its equivalent in foreign currencies), excluding the value of the primary residence of the individual; (5) an individual who has a gross annual income exceeding RM300,000 (or its equivalent in foreign currencies) per annum in the preceding twelve months; (6) an individual who, jointly with his or her spouse, has a gross annual income of RM400,000 (or its equivalent in foreign currencies), per annum in the preceding twelve months; (7) a corporation with total net assets exceeding RM10 million (or its equivalent in foreign currencies) based on the last audited accounts; (8) a partnership with total net assets exceeding RM10 million (or its equivalent in foreign currencies); (9) a bank licensee or insurance licensee as defined in the Labuan Financial Services and Securities Act 2010; (10) an Islamic bank licensee or takaful licensee as defined in the Labuan Financial Services and Securities Act 2010; and (11) any other person as may be specified by the Commission; provided that, in the each of the preceding categories (1) to (11), the distribution of the shares is made by a holder of a Capital Markets Services License who carries on the business of dealing in securities. The distribution in Malaysia of this prospectus is subject to Malaysian laws. This prospectus does not constitute and may not be used for the purpose of public offering or an issue, offer for subscription or purchase, invitation to subscribe for or purchase any securities requiring the registration of a prospectus with the Commission under the Capital Markets and Services Act 2007.

***Qatar***

Without the approval of the Qatar Financial Markets Authority ("QFMA"), the shares of common stock will not be provided, promoted, offered, sold or delivered, at any time, directly or indirectly in the State of Qatar to any person.

If the approval of the QFMA is obtained, the offer of the shares of common stock in the State of Qatar will only be made through a private placement on an exclusive basis to the specifically intended professional and sophisticated identified recipient thereof, upon that person's request and initiative, for personal use only and will not be provided, promoted, offered, sold or delivered, at any time, directly or indirectly in the State of Qatar to any other person. Such an offer shall in no way be construed as a general public offer for the sale of securities to the public or an attempt to do business as a bank, an investment company or otherwise in the State of Qatar. Such promotion will not be approved by the Qatar Central Bank and will not be registered or licensed by any other regulator in the State of Qatar including the Qatar Financial Centre Regulatory Authority and the Qatar Exchange. If provided in the State of Qatar in accordance with the foregoing restrictions, the information contained in this prospectus shall be for the recipient only and may not be shared with any third party in Qatar. It shall not be for general circulation in the State of Qatar and any distribution or reproduction of this prospectus by any recipient to third parties in Qatar is not permitted and shall be at the liability of such recipient only and no liability whatsoever shall apply to us or the underwriters in this regard.

**Notice to Prospective Investors in Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Non-CIS Securities may not be circulated or distributed, nor may the Non-CIS Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore ("SFA"), (2) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Non-CIS Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Non-CIS Securities pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

**Switzerland**

This prospectus supplement is not intended to constitute an offer or solicitation to purchase or invest in the notes described herein. The notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this prospectus supplement nor any other offering or marketing material relating to the notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and neither this prospectus supplement nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

**Notice to Prospective Investors in Taiwan**

The shares have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the shares in Taiwan.

***Notice to Prospective Investors in the United Arab Emirates***

The shares have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates (including the Dubai International Financial Centre) other than in compliance with the laws of the United Arab Emirates (and the Dubai International Financial Centre) governing the issue, offering and sale of securities. Further, this prospectus does not constitute a public offer of securities in the United Arab Emirates (including the Dubai International Financial Centre) and is not intended to be a public offer. This prospectus has not been approved by or filed with the Central Bank of the United Arab Emirates, the Securities and Commodities Authority or the Dubai Financial Services Authority.

***United Kingdom***

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of the shares of our common stock in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of our common stock in, from or otherwise involving the United Kingdom.

#### LEGAL MATTERS

Certain legal matters with respect to U.S. federal law in connection with this offering will be passed upon for us by Sidley Austin LLP, Palo Alto, California. Wilson Sonsini Goodrich & Rosati, P.C., Palo Alto, California is acting as counsel to the underwriters in this offering.

#### EXPERTS

The financial statements of The RealReal, Inc. as of December 31, 2017 and 2018, and for each of the years in the two-year period ended December 31, 2018 have been included herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

#### WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some of which is contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document is not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The SEC also maintains a website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is [www.sec.gov](http://www.sec.gov).

As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with this law, will file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available for inspection and copying at the SEC's public reference facilities and the website of the SEC referred to above. We also maintain a website at [www.therealreal.com](http://www.therealreal.com). Upon completion of this offering, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Information contained on our website is not a part of this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only.

THE REALREAL, INC.  
INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
<a href="#">Report of Independent Registered Public Accounting Firm</a>	F-2
<a href="#">Financial Statements:</a>	
<a href="#">Balance Sheets</a>	F-3
<a href="#">Statements of Operations</a>	F-4
<a href="#">Statements of Comprehensive Loss</a>	F-5
<a href="#">Statements of Redeemable Convertible Preferred Stock, Convertible Preferred Stock and Stockholders' Deficit</a>	F-6
<a href="#">Statements of Cash Flows</a>	F-8
<a href="#">Notes to Financial Statements</a>	F-10

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders and Board of Directors  
The RealReal, Inc.:

*Opinion on the Financial Statements*

We have audited the accompanying balance sheets of The RealReal, Inc. (the Company) as of December 31, 2017 and 2018, the related statements of operations, comprehensive loss, redeemable convertible preferred stock, convertible preferred stock and stockholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2018, and the related notes (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

*Change in Accounting Principle*

As discussed in Note 2 to the financial statements, the Company has changed its method of accounting for revenue on January 1, 2018 due to the adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606 or ASC 606). The Company adopted the new revenue standard using the full retrospective approach.

*Basis for Opinion*

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2013.

San Francisco, California  
April 8, 2019, except for the effects of the  
reverse stock split described in Note 1, which  
is as of June 14, 2019

THE REALREAL, INC.

Balance Sheets

(In thousands, except share and per share data)

	December 31,		March 31,	Pro Forma
	2017	2018	2019	March 31,
	(as revised)		(unaudited)	2019
				(unaudited)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 16,486	\$ 34,393	\$ 88,790	
Short-term investments	12,421	27,131	14,246	
Accounts receivable	6,998	7,571	11,300	
Inventory, net	6,614	10,355	10,528	
Prepaid expenses and other current assets	4,358	9,696	12,084	
Total current assets	46,877	89,146	136,948	
Property and equipment, net	23,422	33,286	35,224	
Restricted cash	4,174	11,234	11,421	
Other assets	1,492	1,751	3,520	
Total assets	\$ 75,965	\$ 135,417	\$ 187,113	
<b>Liabilities, Redeemable Convertible Preferred Stock, Convertible Preferred Stock and Stockholders' Deficit</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 7,566	\$ 5,149	\$ 5,242	
Accrued consignee payable	28,672	35,259	36,551	
Other accrued and current liabilities	26,157	41,956	42,964	
Long-term debt, current portion	2,976	5,990	5,495	
Total current liabilities	65,371	88,354	90,252	
Long-term debt, net of current portion	10,745	3,249	2,501	
Other noncurrent liabilities	3,478	7,304	7,933	\$ 7,043
Total liabilities	79,594	98,907	100,686	
<b>Commitments and contingencies (Note 11)</b>				
Redeemable convertible preferred stock, \$0.00001 par value; 12,956,724, 31,053,601 and 37,403,946 shares authorized as of December 31, 2017 and 2018 and March 31, 2019 (unaudited), respectively; aggregate liquidation preference of \$52,610, \$156,467 and \$204,188 as of December 31, 2017 and 2018, and March 31, 2019 (unaudited), respectively; 12,956,724, 31,053,601 and 37,403,946 shares issued and outstanding as of December 31, 2017 and 2018 and March 31, 2019 (unaudited), respectively; no shares issued and outstanding, pro forma (unaudited)				
	50,367	151,381	198,308	—
Convertible preferred stock \$0.00001 par value; 70,060,297, 73,950,153 and 77,781,921 shares authorized as of December 31, 2017 and 2018 and March 31, 2019 (unaudited), respectively; aggregate involuntary liquidation preference of \$123,591, \$144,879 and \$171,819 as of December 31, 2017 and 2018 and March 31, 2019 (unaudited), respectively; 69,834,789, 73,724,645 and 77,556,411 shares issued and outstanding as of December 31, 2017 and 2018 and March 31, 2019 (unaudited), respectively; no shares issued and outstanding, pro forma (unaudited)				
	122,990	142,819	169,098	—
<b>Stockholders' (deficit) equity:</b>				
Common stock, \$0.00001 par value; 118,000,000, 145,467,774 and 155,649,887 shares authorized as of December 31, 2017 and 2018 and March 31, 2019 (unaudited), respectively; 8,287,983, 8,593,077 and 9,337,065 shares issued and outstanding as of December 31, 2017 and 2018 and March 31, 2019 (unaudited), respectively; 67,700,671 shares issued and outstanding, pro forma (unaudited)				
	—	—	—	1
Additional paid-in capital	4,591	—	—	368,295
Other comprehensive loss	(6)	(25)	3	3
Accumulated deficit	(181,571)	(257,665)	(280,982)	(280,982)
Total stockholders' (deficit) equity	(176,986)	(257,690)	(280,979)	\$ 87,317
Total liabilities, redeemable convertible preferred stock, convertible preferred stock and stockholders' deficit	\$ 75,965	\$ 135,417	\$ 187,113	

The accompanying notes are an integral part of these financial statements.



**THE REALREAL, INC.**  
**Statements of Operations**  
(In thousands, except share and per share data)

	Year Ended December 31,		Three Months Ended March 31,	
	2017 (as revised)	2018	2018 (unaudited)	2019 (unaudited)
<b>Revenue:</b>				
Consignment and service revenue	\$ 121,210	\$ 183,991	\$ 40,999	\$ 56,236
Direct revenue	12,661	23,385	5,460	13,019
Total revenue	<u>133,871</u>	<u>207,376</u>	<u>46,459</u>	<u>69,255</u>
<b>Cost of revenue:</b>				
Cost of consignment and service revenue	35,657	50,855	11,577	15,946
Cost of direct revenue	10,572	19,603	4,277	10,927
Total cost of revenue	<u>46,229</u>	<u>70,458</u>	<u>15,854</u>	<u>26,873</u>
Gross profit	<u>87,642</u>	<u>136,918</u>	<u>30,605</u>	<u>42,382</u>
<b>Operating expenses:</b>				
Marketing	36,711	42,165	9,634	11,733
Operations and technology	58,680	104,929	21,332	31,544
Selling, general and administrative	44,035	63,728	13,524	22,319
Total operating expenses	<u>139,426</u>	<u>210,822</u>	<u>44,490</u>	<u>65,596</u>
Loss from operations	<u>(51,784)</u>	<u>(73,904)</u>	<u>(13,885)</u>	<u>(23,214)</u>
Interest income	355	1,046	84	405
Interest expense	(762)	(1,152)	(197)	(131)
Other expense, net	(60)	(1,656)	(108)	(282)
Loss before provision for income taxes	<u>(52,251)</u>	<u>(75,666)</u>	<u>(14,106)</u>	<u>(23,222)</u>
Provision for income taxes	57	99	—	—
Net loss	<u>\$ (52,308)</u>	<u>\$ (75,765)</u>	<u>\$ (14,106)</u>	<u>\$ (23,222)</u>
Accretion of redeemable convertible preferred stock to redemption value	<u>\$ (2,610)</u>	<u>\$ (8,922)</u>	<u>\$ (1,109)</u>	<u>\$ (3,355)</u>
Net loss attributable to common stockholders	<u>\$ (54,918)</u>	<u>\$ (84,687)</u>	<u>\$ (15,215)</u>	<u>\$ (26,577)</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (6.74)</u>	<u>\$ (10.12)</u>	<u>\$ (1.83)</u>	<u>\$ (3.05)</u>
Shares used to compute net loss per share attributable to common stockholders, basic and diluted	<u>8,145,787</u>	<u>8,365,344</u>	<u>8,299,688</u>	<u>8,705,664</u>
Pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)		<u>\$ (1.34)</u>		<u>(0.37)</u>
Shares used to compute pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)		<u>56,402,048</u>		<u>62,532,173</u>

The accompanying notes are an integral part of these financial statements.

**THE REALREAL, INC.**  
**Statements of Comprehensive Loss**  
**(In thousands)**

	<u>Year Ended December 31,</u>		<u>Three Months Ended March 31,</u>	
	<u>2017</u>	<u>2018</u>	<u>2018</u>	<u>2019</u>
Net loss	\$ (52,308)	\$ (75,765)	\$ (14,106)	\$ (23,222)
Other comprehensive loss, net of tax:				
Unrealized gain (loss) on investments	16	(19)	6	28
Comprehensive loss	<u>\$ (52,292)</u>	<u>\$ (75,784)</u>	<u>\$ (14,100)</u>	<u>\$ (23,194)</u>

The accompanying notes are an integral part of these financial statements.

**THE REALREAL, INC.**  
**Statements of Redeemable Convertible Preferred Stock, Convertible Preferred Stock and Stockholders' Deficit**  
(In thousands, except share amounts)

	Redeemable Convertible Preferred Stock		Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Gain (Loss)	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount				
Balances as of December 31, 2016	—	\$ —	69,834,789	\$122,990	8,074,637	\$ —	\$ 5,093	\$ (22)	\$ (127,995)	\$ (122,924)
Impact of adopting new accounting standard (as revised)	—	—	—	—	—	—	—	—	(1,268)	(1,268)
Issuance of Series F redeemable convertible preferred stock, net of issuance costs of \$2,243	12,956,724	47,757	—	—	—	—	—	—	—	—
Accretion of redeemable convertible preferred stock to redemption value	—	2,610	—	—	—	—	(2,610)	—	—	(2,610)
Issuance of common stock upon exercise of options	—	—	—	—	213,346	—	212	—	—	212
Issuance of common stock warrants	—	—	—	—	—	—	43	—	—	43
Stock-based compensation expense	—	—	—	—	—	—	1,853	—	—	1,853
Other comprehensive income	—	—	—	—	—	—	—	16	—	16
Net loss (as revised)	—	—	—	—	—	—	—	—	(52,308)	(52,308)
Balances as of December 31, 2017 (as revised)	12,956,724	50,367	69,834,789	122,990	8,287,983	—	4,591	(6)	(181,571)	(176,986)
Issuance of Series G redeemable convertible preferred stock upon conversion of notes, net of issuance costs of \$190	1,067,550	5,452	—	—	—	—	—	—	—	—
Issuance of Series G convertible preferred stock upon conversion of notes, net of issuance costs of \$355	—	—	1,997,709	10,202	—	—	—	—	—	—
Loss on extinguishment of convertible notes (Note 7)	—	—	—	—	—	—	(370)	—	—	(370)
Issuance of Series G redeemable convertible preferred stock, net of issuance costs of \$3,360	17,029,327	86,640	—	—	—	—	—	—	—	—
Issuance of Series G convertible preferred stock, net of issuance costs of \$373	—	—	1,892,147	9,627	—	—	—	—	—	—
Accretion of redeemable convertible preferred stock to redemption value	—	8,922	—	—	—	—	(8,593)	—	(329)	(8,922)
Issuance of common stock upon exercise of options	—	—	—	—	247,797	—	481	—	—	481
Issuance of common stock upon exercise of warrants	—	—	—	—	57,297	—	133	—	—	133
Compensation expense related to stock sales by current and former employees	—	—	—	—	—	—	847	—	—	847
Stock-based compensation expense	—	—	—	—	—	—	2,911	—	—	2,911
Other comprehensive loss	—	—	—	—	—	—	—	(19)	—	(19)
Net loss	—	—	—	—	—	—	—	—	(75,765)	(75,765)
<b>Balance as of December 31, 2018</b>	<b>31,053,601</b>	<b>\$151,381</b>	<b>73,724,645</b>	<b>\$142,819</b>	<b>8,593,077</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (25)</b>	<b>\$ (257,665)</b>	<b>\$ (257,690)</b>

**THE REALREAL, INC.**  
**Statements of Redeemable Convertible Preferred Stock, Convertible Preferred Stock and Stockholders' Deficit—Continued**  
(In thousands, except share amounts)

	Redeemable Convertible Preferred Stock		Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Gain (Loss)	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount				
Issuance of Series H redeemable convertible preferred stock net of issuance costs of \$86 (unaudited)	6,350,345	\$ 43,572	—	—	—	—	—	—	—	—
Issuance of Series H convertible preferred stock net of issuance costs of \$63 (unaudited)	—	—	3,831,766	\$ 26,279	—	—	—	—	—	—
Accretion of redeemable preferred stock to redemption value (unaudited)	—	\$ 3,355	—	—	—	—	(3,260)	—	(95)	(3,355)
Compensation expense related to stock sales by current employees (unaudited)	—	—	—	—	—	—	819	—	—	819
Issuance of common stock upon exercise of options (unaudited)	—	—	—	—	739,053	—	1,319	—	—	1,319
Issuance of common stock upon exercise of warrants (unaudited)	—	—	—	—	4,935	—	13	—	—	13
Stock-based compensation expense (unaudited)	—	—	—	—	—	—	1,109	—	—	1,109
Other comprehensive loss (unaudited)	—	—	—	—	—	—	—	28	—	28
Net loss (unaudited)	—	—	—	—	—	—	—	—	(23,222)	(23,222)
Balance as of March 31, 2019 (unaudited)	<u>37,403,946</u>	<u>\$198,308</u>	<u>77,556,411</u>	<u>\$169,098</u>	<u>9,337,065</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3</u>	<u>\$ (280,982)</u>	<u>\$ (280,979)</u>

	Redeemable Convertible Preferred Stock		Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Gain (Loss)	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of December 31, 2017 (as revised)	12,956,724	\$50,367	69,834,789	\$122,990	8,287,983	\$ —	\$ 4,591	\$ (6)	\$ (181,571)	\$ (176,986)
Accretion of redeemable convertible preferred stock to redemption value (unaudited)	—	1,109	—	—	—	—	(1,109)	—	—	(1,109)
Issuance of common stock upon exercise of options (unaudited)	—	—	—	—	18,621	—	39	—	—	39
Stock-based compensation expense (unaudited)	—	—	—	—	—	—	545	—	—	545
Other comprehensive income (unaudited)	—	—	—	—	—	—	—	6	—	6
Net loss (unaudited)	—	—	—	—	—	—	—	—	(14,106)	(14,106)
Balance as of March 31, 2018 (unaudited)	<u>12,956,724</u>	<u>\$51,476</u>	<u>69,834,789</u>	<u>\$122,990</u>	<u>8,306,604</u>	<u>\$ —</u>	<u>\$ 4,066</u>	<u>\$ —</u>	<u>\$ (195,677)</u>	<u>\$ (191,611)</u>

**THE REALREAL, INC.**  
**Statements of Cash Flows**  
(In thousands)

	<u>Year Ended December 31,</u>		<u>Three Months Ended</u>	
	<u>2017</u>	<u>2018</u>	<u>2018</u>	<u>March 31,</u>
	(as revised)		(unaudited)	2019
<b>Cash flows from operating activities</b>				
Net loss	\$ (52,308)	\$ (75,765)	\$(14,106)	\$ (23,222)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	5,634	9,290	1,998	2,808
Stock-based compensation expense	1,853	2,911	545	1,109
Change in fair value of convertible note derivative liability	—	1,248	—	—
Bad debt expense	636	999	167	321
Compensation expense related to stock sales by current and former employees	—	847	—	819
Change in fair value of convertible preferred stock warrant liability	—	450	104	280
Accrued interest on convertible notes	—	223	—	—
Loss on retirement of property and equipment	140	203	—	—
Accretion of unconditional endowment grant liability	—	118	21	26
Accretion of debt discounts	27	104	6	7
Amortization of premium of short-term investments	157	78	15	40
Issuance of common stock warrant to third-party service provider	43	—	—	—
Changes in operating assets and liabilities:				
Accounts receivable	(4,206)	(1,572)	(382)	(4,050)
Inventory, net	(3,913)	(3,741)	(444)	(173)
Prepaid expenses and other current assets	(2,386)	(5,338)	(1,268)	(2,388)
Other assets	(802)	(318)	(62)	(111)
Accounts payable	(88)	(2,576)	(50)	797
Accrued consignor payable	10,462	6,587	(1,348)	1,292
Other accrued and current liabilities	6,144	15,681	(753)	(475)
Other noncurrent liabilities	33	3,376	585	349
Net cash used in operating activities	<u>(38,574)</u>	<u>(47,195)</u>	<u>(14,972)</u>	<u>(22,571)</u>
<b>Cash flows from investing activities</b>				
Purchases of short-term investments	(27,521)	(31,454)	(2,211)	—
Proceeds from maturities of short-term investments	30,338	9,624	7,600	12,873
Proceeds from sale of short-term investments	—	7,023	7,023	—
Capitalized proprietary software costs	(2,521)	(5,724)	(800)	(1,686)
Purchases of property and equipment	(11,599)	(13,392)	(2,402)	(3,743)
Net cash provided by (used in) investing activities	<u>(11,303)</u>	<u>(33,923)</u>	<u>9,210</u>	<u>7,444</u>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs	47,757	86,640	—	43,572
Proceeds from issuance of convertible preferred stock, net of issuance costs	—	9,627	—	26,279
Proceeds from issuance of convertible notes, net of issuance costs	—	14,273	—	—
Proceeds from exercise of stock options and common stock warrants	212	614	39	1,332
Payment of deferred offering costs	—	(24)	—	(222)
Issuance costs paid related to conversion of convertible notes	—	(545)	—	—
Repayment of debt	(1,250)	(4,500)	(750)	(1,250)
Net cash provided by (used in) financing activities	<u>46,719</u>	<u>106,085</u>	<u>(711)</u>	<u>69,711</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>(3,158)</u>	<u>24,967</u>	<u>(6,473)</u>	<u>54,584</u>
<b>Cash, cash equivalents and restricted cash</b>				
Beginning of period	23,818	20,660	20,660	45,627
End of period	<u>\$ 20,660</u>	<u>\$ 45,627</u>	<u>\$ 14,187</u>	<u>\$ 100,211</u>

**THE REALREAL, INC.**  
**Statements of Cash Flows (continued)**  
**(In thousands)**

	<u>Year Ended December 31,</u>		<u>Three Months Ended</u>	
	<u>2017</u>	<u>2018</u>	<u>March 31,</u>	<u>2019</u>
			(unaudited)	
<b>Supplemental disclosures of cash flow information</b>				
Cash paid for interest	\$ 704	\$ 666	\$ 157	\$ 98
Cash paid for income taxes	22	49	—	—
<b>Supplemental disclosures of non-cash investing and financing activities</b>				
Issuance of convertible preferred stock upon extinguishment of convertible notes	—	10,557	—	—
Issuance of redeemable convertible preferred stock upon extinguishment of convertible notes	—	5,642	—	—
Accretion of redeemable convertible preferred stock to redemption value	2,610	8,922	1,109	3,355
Loss on extinguishment of convertible notes	—	370	—	—
Purchases of property and equipment included in accounts payable	196	158	(169)	(704)
Deferred offering costs in accounts payable and accrued liabilities	—	10	—	1,457

The accompanying notes are an integral part of these financial statements.

**THE REALREAL, INC.**

**Notes to Financial Statements**

**1. Organization and Description of Business**

The RealReal, Inc. (the “Company”) is an online marketplace for authenticated, consigned luxury goods across multiple categories, including women’s, men’s, kids’, jewelry and watches, and home and art. The Company was incorporated in the state of Delaware on March 29, 2011 and is headquartered in San Francisco, California.

**Liquidity**

The Company has incurred losses and negative cash flows from operations. The Company has primarily financed its operations through several rounds of venture capital financing. In March 2019, the Company received aggregate gross proceeds of \$70.0 million from the issuance of its Series H redeemable convertible preferred stock and convertible preferred stock. Management expects operating losses and negative cash flows from operations to continue in the foreseeable future as the Company continues to invest in expansion activities. Management believes that the Company’s current cash, cash equivalents and short-term investments, combined with the net proceeds from its Series H preferred stock financing, are adequate to meet its needs for at least the next twelve months. However, the Company may need to borrow funds or raise additional equity to achieve its longer-term business objectives.

**Reverse Stock Split**

In June 2019, the Company’s board of directors and its stockholders approved an amendment to the Company’s amended and restated certificate of incorporation to effect a reverse split of shares of the Company’s common stock on a 1-for-2 basis (the “Reverse Stock Split”), which was effected on June 13, 2019. All issued and outstanding shares of common stock, warrants for common stock, options to purchase common stock and the related per share amounts contained in the financial statements have been retroactively adjusted to reflect this Reverse Stock Split for all periods presented. The par value and authorized shares of common stock were not adjusted as a result of the Reverse Stock Split. Additionally, the authorized, issued and outstanding shares of redeemable convertible preferred stock and convertible preferred stock and their related per share amounts, other than the conversion price per share, were not adjusted as a result of the Reverse Stock Split.

**2. Significant Accounting Policies**

**Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The Company’s functional and reporting currency is the U.S. dollar.

**Revisions to Previously Reported Financial Statements**

On January 1, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606 or ASC 606) using the full retrospective method. The Company recorded a cumulative catch-up adjustment as of January 1, 2017 resulting in an increase to the opening accumulated deficit of \$1.3 million, comprised of the impact of \$1.5 million from the recognition of a material right resulting from the tiered consignor commission plan, partially offset by \$0.2 million from the change in timing of recognition of consignment revenue. Additionally, deferred revenue increased by \$1.3 million, accrued consignor payable decreased by \$0.4 million and revenues decreased and net loss increased by \$0.4 million in the year ended December 31, 2017 as a result of the adoption of ASC 606. Refer to Recently Adopted Accounting Pronouncements and Note 2—Revenue Recognition for further information.

**THE REALREAL, INC.**

**Notes to Financial Statements**

The Company has also made certain reclassifications to the financial statements and related disclosures for the year ended December 31, 2017 to conform to current period presentation. These reclassifications primarily relate to the balance sheet presentation of other accrued and current liabilities and other non-current liabilities and the statement of operations presentation of cost of revenue, operating expenses and other expenses, net. These reclassifications had no impact on previously reported net loss.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of expenses during the reporting period. Significant items subject to such estimates and assumptions include those related to revenue recognition, including the returns reserve and material right related to the Company's tiered consignor commission plan, the useful lives of property and equipment and proprietary software, valuation of short-term investments, valuation of inventory, stock-based compensation, redemption value of redeemable convertible preferred stock, income tax uncertainties and other contingencies. The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors and adjusts those estimates and assumptions when facts and circumstances dictate. Actual results could differ from those estimates.

***Net Loss per Share Attributable to Common Stockholders***

The Company follows the two-class method when computing net loss per common share when shares are issued that meet the definition of participating securities. The two-class method determines net loss per common share for each class of common stock and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common stock and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. The Company's redeemable convertible preferred stock and convertible preferred stock contractually entitles the holders of such shares to participate in dividends but does not contractually require the holders of such shares to participate in the Company's losses.

For periods in which the Company reports net losses, diluted net loss per common share attributable to common stockholders is the same as basic net loss per common share attributable to common stockholders, because potentially dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

***Unaudited Pro Forma Net Loss per Share Attributable to Common Stockholders***

In contemplation of the initial public offering ("IPO"), the Company has presented the unaudited pro forma basic and diluted net loss per share attributable to common stockholders, which has been computed to give effect to the conversion of the redeemable convertible preferred stock and convertible preferred stock into shares of common stock. In addition, the numerator in the pro forma basic and diluted net loss per common share calculation has been adjusted to remove the accretion of redeemable convertible preferred stock to redemption value and gains or losses resulting from the remeasurement of the convertible preferred stock warrant liability as the related convertible preferred stock warrant liability will be reclassified to additional paid-in capital upon the completion of an IPO.

***Unaudited Pro Forma Balance Sheet***

The unaudited pro forma balance sheet information as of March 31, 2019 is presented as though all of the Company's outstanding shares of redeemable convertible preferred stock and convertible preferred stock have



**THE REALREAL, INC.**

**Notes to Financial Statements**

been converted into shares of common stock upon the completion of the IPO. In addition, the pro forma balance sheet information assumes the reclassification of the convertible preferred stock warrant liability to additional paid-in capital upon completion of the IPO, as the warrants to purchase convertible preferred stock automatically convert into common stock warrants. The unaudited pro forma balance sheet information does not assume any proceeds from the IPO.

**Segments**

The Company has one operating segment and one reportable segment as its chief operating decision maker, who is its Chief Executive Officer, reviews financial information on a consolidated basis for purposes of allocating resources and evaluating financial performance. All long-lived assets are located in the United States and substantially all revenue is attributed to consignors and buyers based in the United States.

**Revenue Recognition**

The Company generates revenue from the sale of pre-owned luxury goods through its online marketplace.

**Consignment and Service Revenue**

The Company provides a service to sell pre-owned luxury goods on behalf of consignors to buyers through its online marketplace. The Company retains a percentage of the proceeds received as payment for its consignment service, which the Company refers to as its take rate. The Company reports consignment revenue on a net basis as an agent and not the gross amount collected from the buyer. Title to the consigned goods remain with the consignor until transferred to the end customer subsequent to purchase of the consigned goods. The Company does not take title of consigned goods at any time except in certain cases where returned goods become Company-owned inventory.

The Company recognizes consignment revenue upon purchase of the consigned good by the buyer as its performance obligation of providing consignment services to the consignor is satisfied at that point. Consignment revenue is recognized net of certain buyer incentives and estimated returns and cancellations. The Company recognizes a returns reserve, based on historical experience, which is recorded in other accrued and current liabilities on the balance sheets (see Note 5). Sales tax assessed by governmental authorities is excluded from revenue.

Certain transactions provide consignors with a material right resulting from the tiered consignor commission plan. Under this plan, the amount an individual consignor receives for future sales of consigned goods may be dependent on previous consignment sales for that consignor within his/her consignment period. Accordingly, in certain consignment transactions, a small portion of the Company's consignment revenue is allocated to such material right using the portfolio method and recorded as deferred revenue.

The Company charges shipping fees to buyers and has elected to treat shipping and handling activities performed after control transfers to the buyer as fulfillment activities. All outbound shipping and handling costs are accounted for as fulfillment costs in cost of consignment and service revenue at the time revenue is recognized.

The Company also generates subscription revenue from monthly memberships allowing buyers early access to shop for luxury goods. The buyers receive the early access and other benefits over the term of the subscription

**THE REALREAL, INC.**

**Notes to Financial Statements**

period, which represents a single stand-ready performance obligation. Therefore, the subscription fees paid by the buyer are recognized over the monthly subscription period. Subscription revenue was not material in the years ended December 31, 2017 and 2018 or the three months ended March 31, 2019 (unaudited).

*Direct Revenue*

The Company generates direct revenue from the sale of Company-owned inventory. The Company recognizes direct revenue upon shipment of the purchased good to the buyer as its performance obligation, consisting of the sale of goods, is satisfied at this point. Direct revenue is recognized net of incentives and estimated returns. Sales tax assessed by governmental authorities is excluded from revenue.

*Incentives*

Promotional incentives, which include basket promotional code discounts and other credits, may periodically be offered to consignors and buyers. These are treated as a reduction of consignment and service revenue and direct revenue. Additionally, the Company may offer site credits to buyers on current transactions to be applied towards future transactions, which are accounted as site credit liabilities and included in other accrued and current liabilities on the balance sheets.

*Contract Liabilities*

The Company's contractual liabilities consist of deferred revenue for material rights primarily related to the tiered consignor commission plan totaling \$1.8 million and \$2.7 million as of December 31, 2017 and 2018, respectively, and \$3.1 million as of March 31, 2019 (unaudited), which are recognized as revenue using a portfolio approach based on the pattern of exercise and certain unredeemed site credits, which were immaterial as of December 31, 2017 and 2018 and March 31, 2019 (unaudited). Contract liabilities are recorded in other accrued and current liabilities on the balance sheets and are generally expected to be recognized within one year.

*Cost of Revenue*

Cost of revenue for consignment and services and direct revenue consists of shipping costs, credit card fees, packaging, customer service and website hosting services. Cost of direct revenue also includes the cost of goods sold.

*Marketing*

Marketing expense is comprised of the cost of acquiring new consignors and buyers for our online platform and physical stores, including the cost of television, digital and direct mail advertising. Marketing expense also includes personnel-related costs, including stock-based compensation, of employees engaged in these activities. Advertising costs are expensed as incurred and were \$32.1 million and \$36.6 million in 2017 and 2018, respectively, and \$8.3 million and \$10.1 million in the three months ended March 31, 2018 and 2019 (unaudited), respectively.

*Operations and Technology*

Operations and technology expense is comprised of costs associated with the authentication, merchandising and fulfillment of goods sold through our online marketplace, as well as general information technology expense. The principal component of operations and technology expense is personnel-related costs, including stock-based

**THE REALREAL, INC.**

**Notes to Financial Statements**

compensation, of employees engaged in these activities. Operations and technology expense also includes allocated facility and overhead costs, costs related to our retail stores, facility supplies and depreciation of hardware and equipment, as well as research and development expense for technology associated with managing and improving our operations. In 2017, 2018 and the three months ended March 31, 2018 and 2019 (unaudited), the Company capitalized proprietary software developments costs of \$2.5 million, \$5.7 million, \$0.8 million and \$1.7 million, respectively. As such, operations and technology expense also includes amortization of capitalized technology development costs, which is taken on straight-line basis over three years once the technology is ready for its intended use.

***Selling, General and Administrative***

Selling, general and administrative expense is principally comprised of the personnel-related costs for employees involved in sales, finance and administration, and includes stock-based compensation expense. Selling, general and administrative expense also includes allocated facility and overhead costs and professional services, including accounting and legal advisors.

***Stock-based Compensation***

Stock-based compensation expense related to employees is measured based on the grant-date fair value of the awards. Compensation expense is recognized in the statements of operations over the period during which the employee is required to perform services in exchange for the award (the vesting period of the applicable award) using the straight-line method. The Company estimates the fair value of stock options granted using the Black-Scholes option pricing model and accounts for forfeitures as they occur.

***Cash, Cash Equivalents and Restricted Cash***

The Company considers all highly liquid investments purchased with original maturities of three months or less from the purchase date to be cash equivalents. Cash equivalents consist primarily of amounts invested in reverse repurchase agreement ("RRAs"). RRAs are collateralized by deposits in the form of United States government securities and obligations for an amount not less than 102% of their value. The Company has a policy that the collateral has at least an A (or equivalent) credit rating. The Company utilizes a third-party custodian to manage the exchange of funds and ensure that collateral received is maintained at 102% of the value of the RRAs on a daily basis. RRAs with stated maturities of greater than three months from the date of purchase are classified as short-term investments.

Restricted cash consists of cash deposited with a financial institution as collateral for the Company's letters of credit for its facility leases and the Company's credit cards. As of December 31, 2017 and 2018, the Company had letters of credit outstanding and collateral accounts in the amounts of \$4.2 million and \$11.2 million, respectively. The year over year increase in restricted cash was primarily due to new facility leases and credit card agreements entered into in 2018. As of March 31, 2019 (unaudited), the Company had letters of credit outstanding and collateral accounts in the amounts of \$11.4 million. The restricted cash is classified as noncurrent as the Company expects the cash to remain restricted for a period greater than one year.

**THE REALREAL, INC.****Notes to Financial Statements**

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheets that sum to the total of the same amounts shown in the statements of cash flows (in thousands):

	December 31,		March 31,	
	2017	2018	2018	2019
Cash and cash equivalents	\$16,486	\$34,393	\$ 9,013	\$ 88,790
Restricted cash	4,174	11,234	5,174	11,421
Total cash, cash equivalents and restricted cash	<u>\$20,660</u>	<u>\$45,627</u>	<u>\$14,187</u>	<u>\$100,211</u>

**Short-term Investments**

The Company has classified and accounted for its short-term investments as available-for-sale which are carried at fair value on its balance sheets. The Company records any unrealized gains and losses as a component of stockholders' deficit, except for unrealized losses determined to be other than temporary, of which there are none as of December 31, 2017 and 2018 and March 31, 2019 (unaudited).

The Company evaluates its short-term investments periodically for possible impairment. A decline in the fair value below the amortized costs of the short-term investment is considered an other-than-temporary impairment if the Company has the intent to sell the short-term investments or it is more likely than not that the Company will be required to sell the short-term investment before recovery of the entire amortized cost basis.

**Accounts Receivable**

Accounts receivables are recorded at the amounts billed to buyers and do not bear interest. Accounts receivables result from credit card transactions, the majority of which are settled within two business days.

**Inventory, Net**

Inventory primarily consists of finished goods arising from goods returned after the consignor has been paid, upon which the Company assumes the title to the goods until it is resold and recognizes it as inventory in an amount equal to that paid to the consignor. The Company also periodically purchases finished goods directly from vendors. Inventory is valued at the lower of cost and net realizable value using the specific identification method, and the Company records provisions, as appropriate, to write down obsolete and excess inventory to estimated net realizable value.

The inventory reserve, which reduces inventory on the balance sheets, was \$0.2 million and \$0.7 million as of December 31, 2017 and 2018, respectively, and \$1.0 million as of March 31, 2019 (unaudited).

**Property and Equipment, Net**

Property and equipment, net is recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the respective assets. Repair and maintenance costs are expensed as incurred.

**THE REALREAL, INC.****Notes to Financial Statements**

The estimated useful lives of our assets are as follows:

Proprietary software	3 years
Furniture and equipment	3-5 years
Vehicles	5 years
Leasehold improvements	Shorter of lease term or estimated useful life

**Software Development Costs**

Proprietary software includes the costs of developing the Company's internal proprietary business platform. The Company capitalizes qualifying proprietary software development costs that are incurred during the application development stage. Capitalization of costs begins when two criteria are met: (1) the preliminary project stage is completed and (2) it is probable that the software will be completed and used for its intended function. Such costs are capitalized in the period incurred. Capitalization ceases and amortization begins when the software is substantially complete and ready for its intended use, including the completion of all significant testing. Costs related to preliminary project activities and post-implementation operating activities are expensed as incurred.

**Impairment of Long-lived Assets**

The carrying amounts of long-lived assets, including property and equipment, net and capitalized proprietary software, are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable or that the useful life is shorter than originally estimated. Recoverability of assets to be held and used is measured by comparing the carrying amount of assets to future undiscounted net cash flows the assets are expected to generate over its remaining life.

If the assets are considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired assets. If the useful life is shorter than originally estimated, the Company amortizes the remaining carrying value over the revised shorter useful life.

**Deferred Offering Costs**

Deferred offering costs, which consist of direct incremental legal, consulting, banking and accounting fees relating to the anticipated equity offering, are capitalized and will be offset against proceeds upon the consummation of the offering. In the event an anticipated offering is terminated, deferred offering costs will be expensed. As of December 31, 2018 and March 31, 2019 (unaudited), \$34,000 and \$1.7 million of deferred offering costs were capitalized, respectively, which are included in other assets on the balance sheet. There were no such costs capitalized as of December 31, 2017.

**Accretion of Redeemable Convertible Preferred Stock**

The carrying value of the redeemable convertible preferred stock is accreted to redemption value from the date of issuance to the earliest redemption date using the effective interest method. Increases to the carrying value of redeemable convertible preferred stock recognized in each period are charged to additional paid-in capital, or in the absence of additional paid-in capital, charged to accumulated deficit.

**THE REALREAL, INC.**

**Notes to Financial Statements**

***Convertible Preferred Stock Warrant Liability***

The Company issued convertible preferred stock warrants in conjunction with the issuance of debt. Such warrants are recorded as other noncurrent liabilities on the balance sheets at their estimated fair value because the shares underlying the warrants may obligate the Company to transfer assets to the holders at a future date under certain circumstances such as a deemed liquidation event. The warrants are subject to re-measurement at each balance sheet date and the change in fair value, if any, is included in other expense, net. The Company will continue to remeasure these warrants until the earlier of the expiration, exercise or conversion of the convertible preferred stock warrants. In connection with an IPO, the convertible preferred stock warrants will be automatically converted into common stock warrants. On exercise, expiration or conversion of the convertible preferred stock warrants, the related convertible preferred stock warrant liability will be reclassified to additional paid-in capital.

***Leases***

Leases are reviewed for classification as operating or capital leases. For operating leases, the Company recognizes rent on a straight-line basis over the term of the lease. The Company records the difference between cash payments and rent expense recognized as a deferred rent liability included in other accrued and current liabilities and other noncurrent liabilities on the balance sheets. Incentives granted under the Company's facility leases, including allowances to fund leasehold improvements, are deferred and are recognized as adjustments to rental expense on a straight-line basis over the term of the lease.

***Income Taxes***

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period of enactment. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

***Concentrations of Credit Risks***

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents. At times, such amount may exceed federally-insured limits. The Company reduces credit risk by placing its cash and cash equivalents with major credit-worthy financial institutions within the United States.

As of December 31, 2017 and 2018 and March 31, 2019 (unaudited), there were no customers that represented 10% or more of the Company's accounts receivable balance and there were no customers that individually exceeded 10% of the Company's total revenue for each of the years ended December 31, 2017 and 2018 and the three months ended March 31, 2018 and 2019 (unaudited).

THE REALREAL, INC.

Notes to Financial Statements

**Recently Adopted Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers*. ASC 606 supersedes the existing revenue recognition requirements and requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Company adopted ASC 606 as of January 1, 2018 using the full retrospective transition method. See Note 2—Revenue Recognition and Revisions to Previously Issued Financial Statements for further details.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory (Topic 330)*, which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. The Company adopted the new standard beginning January 1, 2017. The adoption of this standard did not have a material impact on the financial statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting (Topic 718)*. This standard requires entities to record all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement when awards vest or are settled and eliminates additional paid-in capital pools. The standard also changes the accounting for an employee's use of shares to satisfy the employer's statutory income tax withholding obligation and the accounting for forfeitures, and provides two practical expedients for nonpublic entities. The Company adopted this standard as of January 1, 2017 and recorded a net change of \$0.6 million to its valuation allowance.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash (Topic 230)*, which requires companies to present amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents on the statement of cash flows. The Company adopted this guidance beginning January 1, 2017.

In May 2017, the FASB issued ASU 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*, which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in the ASU. The Company adopted this standard during the year ended December 31, 2017. The adoption of this standard did not have a material impact on the Company's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which clarified the accounting for contributions made or received by business entities. The Company adopted this guidance beginning on January 1, 2018 using the modified prospective transition. Adoption of the standard did not have a material impact on its financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)*. ASU 2018-15 clarifies and aligns the accounting for implementation costs for hosting arrangements with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The Company has early adopted this standard effective January 1, 2018 on a prospective basis, which did not have a material impact on its financial statements.

**Recently Issued Accounting Pronouncements**

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)*, which will change how to recognize, measure, present and make disclosures about certain financial assets and financial liabilities. Under this standard, if an entity designates a financial liability under the fair value option in accordance with ASC 825, the entity shall measure the financial

**THE REALREAL, INC.**

**Notes to Financial Statements**

liability at fair value with qualifying changes in fair value recognized in net income. The entity shall present separately in other comprehensive loss the portion of the total change in the fair value of the liability that results from a change in the instrument-specific credit risk. ASU 2016-01 is effective for the Company for annual and interim periods within fiscal years beginning after December 15, 2019. The Company does not expect the adoption of this standard to have a material impact on the operating results.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 is aimed at making leasing activities more transparent and comparable and requires substantially all leases to be recognized by lessees on their balance sheet as a right-of-use asset and corresponding lease liability, including leases currently accounted for as operating leases. The new standard is effective for non-public entities in fiscal years beginning after December 15, 2019. The Company is currently evaluating the impact that this standard will have on its financial statements but expects that it will result in a significant increase in its long-term assets and liabilities.

In June 2018, the FASB issued ASU 2018-07, *Compensation—Stock Compensation (Topic 718)*, which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees. The standard is effective for fiscal years beginning after December 15, 2019, including interim reporting periods within that fiscal year. Early adoption is permitted, but no earlier than the Company's adoption date of ASC 606. The Company does not expect the adoption of this standard to have a material impact on the operating results.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)*. This standard modifies disclosure requirements related to fair value measurement and is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. Implementation on a prospective or retrospective basis varies by specific disclosure requirement. The standard also allows for early adoption of any removed or modified disclosures upon issuance while delaying adoption of the additional disclosures until their effective date. The Company is currently evaluating the impact that this standard will have on its financial statements.



**THE REALREAL, INC.**  
**Notes to Financial Statements**

**3. Cash, Cash Equivalents and Short-Term Investments**

The following tables summarize the estimated value of the Company's cash, cash equivalents and short-term investments (in thousands):

	December 31, 2017			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
<b>Cash and cash equivalents:</b>				
Cash	\$ 12,862	\$ —	\$ —	\$12,862
Money market fund	124	—	—	124
Reverse repurchase agreements	3,500	—	—	3,500
<b>Total cash and cash equivalents</b>	<b>\$ 16,486</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$16,486</b>
<b>Short-term investments:</b>				
U.S. corporate bonds	\$ 4,814	\$ —	\$ (3)	\$ 4,811
International corporate bonds	7,613	—	(3)	7,610
<b>Total short-term investments</b>	<b>\$ 12,427</b>	<b>\$ —</b>	<b>\$ (6)</b>	<b>\$12,421</b>

	December 31, 2018			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
<b>Cash and cash equivalents:</b>				
Cash	\$ 10,253	\$ —	\$ —	\$10,253
Money market fund	140	—	—	140
Reverse repurchase agreements	24,000	—	—	24,000
<b>Total cash and cash equivalents</b>	<b>\$ 34,393</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$34,393</b>
<b>Short-term investments:</b>				
U.S. corporate bonds	\$ 21,184	\$ —	\$ (19)	\$21,165
International corporate bonds	5,972	—	(6)	5,966
<b>Total short-term investments</b>	<b>\$ 27,156</b>	<b>\$ —</b>	<b>\$ (25)</b>	<b>\$27,131</b>

	March 31, 2019			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
(unaudited)				
<b>Cash and cash equivalents:</b>				
Cash	\$ 72,145	\$ —	\$ —	\$72,145
Money market fund	4,645	—	—	4,645
Reverse repurchase agreements	12,000	—	—	12,000
<b>Total cash and cash equivalents</b>	<b>\$ 88,790</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$88,790</b>
<b>Short-term investments:</b>				
U.S. corporate bonds	\$ 12,246	\$ —	\$ 2	\$12,248
International corporate bonds	1,998	—	—	1,998
<b>Total short-term investments</b>	<b>\$ 14,244</b>	<b>\$ —</b>	<b>\$ 2</b>	<b>\$14,246</b>

**THE REALREAL, INC.**

**Notes to Financial Statements**

As of December 31, 2017 and 2018 and March 31, 2019 (unaudited), the contractual maturity for the short-term investments is less than one year. For the years ended December 31, 2017 and 2018 and the three months ended March 31, 2018 and 2019 (unaudited), the Company recognized no material realized gains or losses on short-term investments.

**4. Fair Value Measurement**

Assets and liabilities recorded at fair value on a recurring basis on the balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Fair value is defined as the exchange price that would be received for an asset or an exit price that would be paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The authoritative guidance on fair value measurements establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows:

Level 1—Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2—Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

There were no transfers between Level 1, Level 2 or Level 3 of the fair value hierarchy during the periods presented.

**THE REALREAL, INC.**  
**Notes to Financial Statements**

The following tables provide the financial instruments measured at fair value (in thousands):

	December 31, 2017			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Cash equivalents:				
Money market fund	\$ 124	\$ —	\$ —	\$ 124
Reverse repurchase agreements	—	3,500	—	3,500
Total cash equivalents	<u>\$ 124</u>	<u>\$ 3,500</u>	<u>\$ —</u>	<u>\$ 3,624</u>
Short-term investments:				
U.S. corporate bonds	\$ —	\$ 4,811	\$ —	\$ 4,811
International corporate bonds	—	7,610	—	7,610
Total short-term investments	<u>\$ —</u>	<u>\$ 12,421</u>	<u>\$ —</u>	<u>\$ 12,421</u>
Total assets	<u>\$ 124</u>	<u>\$ 15,921</u>	<u>\$ —</u>	<u>\$ 16,045</u>
<b>Liabilities</b>				
Convertible preferred stock warrant liability	\$ —	\$ —	\$ 160	\$ 160
Total liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 160</u>	<u>\$ 160</u>
	December 31, 2018			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Cash equivalents:				
Money market fund	\$ 140	\$ —	\$ —	\$ 140
Reverse repurchase agreements	—	24,000	—	24,000
Total cash equivalents	<u>\$ 140</u>	<u>\$ 24,000</u>	<u>\$ —</u>	<u>\$ 24,140</u>
Short-term investments:				
U.S. corporate bonds	\$ —	\$ 21,165	\$ —	\$ 21,165
International corporate bonds	—	5,966	—	5,966
Total short-term investments	<u>\$ —</u>	<u>\$ 27,131</u>	<u>\$ —</u>	<u>\$ 27,131</u>
Total assets	<u>\$ 140</u>	<u>\$ 51,131</u>	<u>\$ —</u>	<u>\$ 51,271</u>
<b>Liabilities</b>				
Convertible preferred stock warrant liability	\$ —	\$ —	\$ 610	\$ 610
Total liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 610</u>	<u>\$ 610</u>

**THE REALREAL, INC.**  
**Notes to Financial Statements**

	March 31, 2019			Total
	Level 1	Level 2	Level 3	
(unaudited)				
<b>Assets</b>				
Cash equivalents:				
Money market fund	\$4,645	\$ —	\$ —	\$ 4,645
Reverse repurchase agreements	—	12,000	—	12,000
Total cash equivalents	<u>\$4,645</u>	<u>\$12,000</u>	<u>\$ —</u>	<u>\$16,645</u>
Short-term investments:				
U.S. corporate bonds	\$ —	\$12,248	\$ —	\$12,248
International corporate bonds	—	1,998	—	1,998
Total short-term investments	<u>\$ —</u>	<u>\$14,246</u>	<u>\$ —</u>	<u>\$14,246</u>
Total assets	<u>\$4,645</u>	<u>\$26,246</u>	<u>\$ —</u>	<u>\$30,891</u>
<b>Liabilities</b>				
Convertible preferred stock warrant liability	\$ —	\$ —	\$ 890	\$ 890
Total liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 890</u>	<u>\$ 890</u>

The following table presents a rollforward of the fair value of the level 3 liabilities recorded at fair value (in thousands):

	Convertible Preferred Stock Warrant Liability	Convertible Notes Derivative Liability
Balance as of December 31, 2016	\$ 160	\$ —
Changes in estimated fair value	—	—
Balance as of December 31, 2017	160	—
Recognition of derivative liability in connection with issuance of convertible notes	—	372
Changes in estimated fair value	450	1,248
Extinguishment of derivative liability on conversion of convertible notes	—	(1,620)
Balance as of December 31, 2018	610	—
Changes in estimated fair value (unaudited)	280	—
Balance as of March 31, 2019 (unaudited)	<u>\$ 890</u>	<u>\$ —</u>

**THE REALREAL, INC.**  
**Notes to Financial Statements**

**5. Balance Sheet Components**

**Property and Equipment, Net**

Property and equipment, net consists of the following (in thousands):

	December 31,		March 31,
	2017	2018	2019
			(unaudited)
Proprietary software	\$ 8,328	\$ 14,052	\$ 15,738
Furniture and equipment	7,957	12,665	14,128
Automobiles	234	346	449
Leasehold improvements	17,282	25,702	27,165
	33,801	52,765	57,480
Less: accumulated depreciation and amortization	(10,379)	(19,479)	(22,256)
Property and equipment, net	<u>\$ 23,422</u>	<u>\$ 33,286</u>	<u>\$ 35,224</u>

Depreciation and amortization expense on property and equipment was \$5.6 million and \$9.3 million for the years ended December 31, 2017 and 2018, respectively, which includes amortization expense for equipment and automobiles acquired under capital leases of \$0.4 million and \$0.3 million, and amortization for proprietary software of \$1.8 million and \$2.8 million for the years ended December 31, 2017 and 2018, respectively. Depreciation and amortization expense on property and equipment was \$2.0 million and \$2.8 million for the three months ended March 31, 2018 and 2019 (unaudited), respectively.

**Other Accrued and Current Liabilities**

Other accrued and current liabilities consist of the following (in thousands):

	December 31,		March 31,
	2017	2018	2019
			(unaudited)
Returns reserve	\$ 9,292	\$14,311	\$ 11,205
Accrued compensation	4,596	8,078	5,438
Site credit liability	3,535	4,700	5,239
Accrued sales tax and other taxes	2,794	4,476	4,972
Deferred revenue	2,133	3,184	3,887
Accrued marketing and outside services	1,976	4,152	9,116
Other	1,831	3,055	3,107
Other accrued and current liabilities	<u>\$ 26,157</u>	<u>\$41,956</u>	<u>\$ 42,964</u>

**6. Debt and Convertible Preferred Stock Warrants**

**Term Loans**

In 2013, the Company entered into an agreement to obtain a term loan facility ("Term Loan Facility") in the amount of \$5.0 million for general corporate purposes and working capital expenditures. In 2014, 2015 and 2016, the Company amended its Term Loan Facility to increase the amount borrowed under the facility by \$11.6 million. The Term Loan Facility is secured by liens on substantially all of the Company's present and future assets.

**THE REALREAL, INC.**

**Notes to Financial Statements**

The Term Loan Facility includes affirmative, negative and financial covenants that restrict the Company's ability to, among other things, incur additional indebtedness, make investments, sell or otherwise dispose of assets, pay dividends or repurchase stock. The Term Loan Facility's financial covenants required the Company to achieve at least 80% of its forecasted gross revenue and a liquidity ratio on a monthly basis. As of December 31, 2017 and 2018 and March 31, 2019 (unaudited), the Company was in compliance with all covenants.

In 2017, the Company executed the eighth amendment ("Eight Amendment") to the Term Loan Facility. The Eighth Amendment refinanced the \$15.0 million repayment schedule to be two term loans, which included a \$7.5 million interest only term loan with a maturity date of January 31, 2019 ("Term Loan I"), and the remaining \$7.5 million under the existing Term Loan Facility with a maturity date of January 1, 2020 ("Term Loan II") (together the "Term Loans").

In 2018, the Company entered into the ninth, tenth, eleventh amendment and twelfth amendment ("Ninth Amendment," "Tenth Amendment," "Eleventh Amendment" and "Twelfth Amendment") to the existing Term Loans. The Ninth Amendment removed the liquidity ratio covenant, amended Term Loan I to be due in 30 equal monthly installments, plus all accrued interest, beginning July 31, 2018, increased the variable annual interest rate from 0.10% above the prime rate to 0.35% above the prime rate and extended the maturity date of Term Loan I to January 31, 2021.

The Eighth Amendment and Ninth Amendment required the Company to pay a combined success fee of \$0.3 million upon (1) any sale or licensing of all or substantially all of the Company's assets, (2) any change in control of the Company, or (3) an initial public offering of the Company's equity securities. The Ninth Amendment also required the Company to pay an additional success fee of \$0.1 million upon the sale or issuance of the Company's equity securities or subordinated debt securities for net cash proceeds of at least \$50.0 million on or prior to June 30, 2018. The Company paid the \$0.1 million success fee upon the Series G convertible preferred stock financing in June 2018.

The Tenth and Twelfth Amendments adjusted and waived certain covenant violations which were subsequently amended and met. The Eleventh Amendment provided an additional letter of credit of \$1.5 million for corporate credit cards with a maturity date of August 1, 2019.

During the years ended December 31, 2017 and 2018, the Company recorded interest expense related to the Term Loans of \$0.7 million and \$0.6 million, respectively. During the three months ended March 31, 2018 and 2019 (unaudited), the Company recorded interest expense related to the Term Loans of \$0.2 million and \$0.1 million, respectively.

As of December 31, 2018, the minimum payments on the Term Loans described above are as follows (in thousands):

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$6,000
2020	3,000
2021	250
Total future payments	9,250
Less: long-term debt, current portion	5,990
Less: unamortized debt discount	11
Long-term debt, net of current portion	<u>\$3,249</u>

**THE REALREAL, INC.****Notes to Financial Statements*****Warrants Issued with Term Loan Facility***

During the period from 2013 to 2016, in connection with the Term Loan Facility, the Company issued convertible preferred stock warrants, which included warrants to purchase 131,652 shares of its Series B convertible preferred stock with an exercise price of \$1.03 per share, 6,868 shares of its Series C convertible preferred stock with an exercise price of \$2.18 per share, 43,010 shares of its Series D convertible preferred stock with an exercise price of \$2.79 per share and 25,597 shares of its Series E convertible preferred stock with an exercise price of \$2.93 per share (together the "Convertible Preferred Stock Warrants"). The Convertible Preferred Stock Warrants were exercisable from the date of issuance and have a 10-year term. The initial estimated fair value of the Convertible Preferred Stock Warrants was recorded as convertible preferred stock warrant liability with an offset to the debt discount associated with the Term Loan Facility. The debt discount is amortized to interest expense over the repayment period of the loan using the effective-interest method. All Convertible Preferred Stock Warrants were unexercised and outstanding as of December 31, 2017 and 2018 and March 31, 2019 (unaudited).

**7. Convertible Notes**

In April 2018, the Company issued \$14.4 million in convertible notes ("Convertible Notes") to existing shareholders of redeemable convertible and convertible preferred stock. Interest accrued on the principal balance at an annual rate of 8%. Principal and accrued interest were due at the earliest of (1) the one-year anniversary of the issuance date, (2) event of default and (3) a change of control, defined as either a merger, sale of stock or assets or other form of transaction.

The maturity date could be extended if agreed upon by the Company and investors holding the convertible notes representing at least 80% of the outstanding amount at such time. On change of control, the holders of convertible notes could elect to either (1) receive full repayment of the note outstanding or (2) convert the entire outstanding amount of principal and accrued interest into shares of Series F preferred stock at a price per share of \$3.8590.

The outstanding balance of principal and accrued interest automatically converts into fully paid and nonassessable shares of preferred stock issued on the issuance of preferred stock with aggregate gross proceeds of at least \$25.0 million (a "Qualified Financing") prior to the maturity date of the convertible notes. On the issuance of preferred stock with aggregate gross proceeds of less than \$25.0 million (a "Non-Qualified Financing"), holders of the Convertible Notes could elect to convert all or any portion of the outstanding principal and interest into fully paid and nonassessable shares of preferred stock. On conversion of the convertible notes in either a Qualified Financing or Non-Qualified Financing, preferred shares would be issued at a price of 90% of the price per share paid by the purchasers of preferred stock participating in the financing.

The Qualified Financing and Non-Qualified Financing redemption features were determined to be a compound embedded derivative requiring bifurcation and separate accounting at its estimated fair value. On issuance of the Convertible Notes, the Company recognized a liability of \$0.4 million for the estimated fair value of the embedded derivative and incurred \$0.1 million in debt issuance costs, both of which were recorded as a debt discount associated with the Convertible Notes.

During the year ended December 31, 2018, the Company recognized \$0.2 million of interest expense related to the Convertible Notes. The Company also recognize an expense of \$1.2 million during the year ended December 31, 2018 related to the change in fair value of the Convertible Notes embedded derivative liability, which was included in other expense, net in the statements of operations.

THE REALREAL, INC.

Notes to Financial Statements

In June 2018, the outstanding balance of principal and accrued interest on the Convertible Notes of \$14.6 million converted into 1,067,550 and 1,997,709 shares of the Company's Series G redeemable convertible and convertible preferred stock, respectively, at a price of \$4.7565 per share in conjunction with the Company's Series G convertible preferred stock financing (see Note 8), which was a Qualified Financing under the terms of the Convertible Notes. The conversion of the Convertible Notes into Series G redeemable convertible preferred stock and Series G convertible preferred stock was accounted for as an extinguishment. The extinguishment of the Convertible Notes was considered a capital transaction and accordingly, the Company recognized a \$0.4 million loss on extinguishment through additional paid in capital equal to the unamortized debt discount at the date of conversion.

8. Convertible Preferred Stock and Redeemable Convertible Preferred Stock

Convertible preferred stock and redeemable convertible preferred stock consisted of the following (in thousands, except share amounts):

	December 31, 2017			
	Shares Authorized	Shares Issued and Outstanding	Net Carrying Value	Aggregate Liquidation Preference
Series A	18,960,000	18,941,619	\$ 9,161	\$ 9,217
Series B	13,784,443	13,652,791	13,774	14,000
Series C	9,335,659	9,328,791	20,289	20,374
Series D	14,367,652	14,324,642	39,886	40,000
Series E	13,612,543	13,586,946	39,880	40,000
Series F	12,956,724	12,956,724	50,367	52,610
Total	83,017,021	82,791,513	\$ 173,357	\$ 176,201

	December 31, 2018			
	Shares Authorized	Shares Issued and Outstanding	Net Carrying Value	Aggregate Liquidation Preference
Series A	18,960,000	18,941,619	\$ 9,161	\$ 9,217
Series B	13,784,443	13,652,791	13,774	14,000
Series C	9,335,659	9,328,791	20,289	20,374
Series D	14,367,652	14,324,642	39,886	40,000
Series E	13,612,543	13,586,946	39,880	40,000
Series F	12,956,724	12,956,724	54,968	57,211
Series G	21,986,733	21,986,733	116,242	120,544
Total	105,003,754	104,778,246	\$ 294,200	\$ 301,346



**THE REALREAL, INC.**  
**Notes to Financial Statements**

	March 31, 2019			
	Shares Authorized	Shares Issued and Outstanding (unaudited)	Net Carrying Value	Aggregate Liquidation Preference
Series A	18,960,000	18,941,619	\$ 9,161	\$ 9,217
Series B	13,784,443	13,652,791	13,774	14,000
Series C	9,335,659	9,328,791	20,289	20,374
Series D	14,367,652	14,324,642	39,886	40,000
Series E	13,612,543	13,586,946	39,880	40,000
Series F	12,956,724	12,956,724	56,154	58,397
Series G	21,986,733	21,986,733	118,325	123,881
Series H	10,182,113	10,182,111	69,937	70,138
<b>Total</b>	<b>115,185,867</b>	<b>114,960,357</b>	<b>\$ 367,406</b>	<b>\$ 376,007</b>

**Voting**

Each holder of Series A, B, C, D, E, G and H convertible preferred stock (together the “convertible preferred stock”) and Series F, G and H redeemable convertible preferred stock (together the “redeemable convertible preferred stock”) (or all together the “preferred stock”) is entitled to cast the number of votes equal to the number of whole shares of common stock into which the shares of preferred stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter. Holders of preferred stock vote together with the holders of common stock as a single class.

**Dividends**

The holders of Series A, B, C, D and E convertible preferred stock are entitled to receive noncumulative dividends at the per annum rate of 8% of the original issue price, if and when, declared by the board of directors, prior and in preference to any payment of any dividend on the common stock.

The holders of Series F, Series G and Series H redeemable convertible preferred stock and Series G and Series H convertible preferred stock are entitled to receive cumulative dividends that accrue at a rate of 8% of the Series F, Series G and Series H original issue price per annum, compounding quarterly and whether or not declared. Accruing dividends on redeemable convertible preferred stock are only payable when, as and if declared by the board of directors or upon a liquidation event.

Holders of preferred stock are also entitled to participate in dividends of common stock on an as-converted basis. As of December 31, 2018 and March 31, 2019 (unaudited), no dividends have been declared or paid to date.

**Liquidation**

In the event of any liquidation, dissolution or winding up, certain mergers, consolidations and asset sales, the holders of shares of Series F redeemable convertible preferred stock, Series G redeemable convertible preferred stock, Series G convertible preferred stock, Series H redeemable convertible preferred stock and Series H convertible preferred stock are entitled to receive, prior and in preference to the holders of Series A, B, C, D and E convertible preferred stock or common stock, an amount per share equal to the greater of (1) the sum of the original issuance price of each series, all accrued but unpaid and all declared but unpaid dividends, or (2) the amount per share that have been payable had all shares of the convertible preferred stock been converted to common stock.

**THE REALREAL, INC.**

**Notes to Financial Statements**

If the assets and funds to be distributed among the holders of redeemable convertible preferred stock and convertible preferred stock are insufficient to permit the payment to such holders, then the entire assets and funds of the Company legally available for distribution will be distributed ratably among the holders of redeemable convertible preferred stock in proportion to the preferential amount each such holder is otherwise entitled to receive.

After the distribution to holders of Series F, G and H redeemable convertible preferred stock and Series G and H convertible preferred stock, any remaining assets of the Company shall be distributed to the holders of Series E preferred stock, prior and in preference to any distribution of the assets of the Company to the holders of the then outstanding Series A, B, C and D convertible preferred stock and common stockholders an amount per share equal to the greater of (1) the sum of the original issuance prices of each series and all declared but unpaid dividends, if any, or (2) such amount per share as would have been payable had all shares of the convertible preferred stock been converted to common stock. If upon occurrence of such an event, the assets to be distributed among the holders of Series E convertible preferred stock are insufficient to permit the payment to such holders, the entire assets legally available for distribution will be distributed ratably among the Series E holders.

After the distribution to the holders of the Series E preferred stock, any remaining assets of the Company shall be distributed to the holders of the then outstanding Series A, B, C and D convertible preferred stock, prior and in preference to any distribution of any of the assets of the Company to the holders of the common stock an amount per share equal to the greater of (1) the applicable original issue price for each series of convertible preferred stock plus any declared and unpaid dividends (the "Original Issue Price") and (2) the amount per share that would have been payable if all shares of convertible preferred stock were converted into common stock subject to the applicable conversion rights. Upon completion of the distribution to the holders of the convertible preferred stock, all remaining legally available assets will be distributed ratably to the holders of common stock.

**Conversion**

At the option of the holder, each share of convertible preferred stock is convertible into fully paid and non-assessable shares of common stock as is determined by dividing the applicable Original Issue Price by the applicable Conversion Price in effect at the time of conversion. The "Conversion Price" shall mean \$0.9732, \$2.050864, \$4.36806, \$5.58478, \$5.888, \$6.7918, \$10.570 and \$13.7496 (unaudited) per share for Series A, Series B, Series C, Series D, Series E, Series F, Series G and Series H preferred stock, respectively. The Series F redeemable convertible preferred stock contains a conversion price adjustment feature based on a 2017 gross profit target. Because the Company's gross profit for the year ended December 31, 2017 was below the target, the conversion price for Series F was reduced from \$7.7180 to \$6.7918.

Each share of preferred stock automatically converts into the number of shares of common stock into which such shares are convertible at the then applicable conversion ratio upon (1) the closing of the sale of shares of common stock in a public offering resulting in gross proceeds of at least \$50.0 million and the listing of our common stock at a price per share that is at least 1.75 times the Series G issue price (the "Qualified Public Offering"), or (2) the affirmative vote of the holders of a majority of the preferred stock; provided that, with respect to the Series B, E, F and G convertible preferred stockholders, conversion requires approval of the holders of a majority of the then outstanding shares of each such series. Additionally, in the event of a Qualified Public Offering, the holders of Series H preferred stock are entitled to an adjustment of the conversion price of the Series H preferred stock if the offering price per share is less than the original issuance price of the Series H preferred stock.

**Redemption**

Certain stockholders that hold all outstanding shares of Series F redeemable convertible preferred stock and certain outstanding shares of Series G redeemable convertible preferred stock are entitled to redemption privileges

**THE REALREAL, INC.**

**Notes to Financial Statements**

(the “Redemption Stockholders”) that are not available to all preferred stockholders. On or after June 21, 2023, the five-year anniversary of the Series G original issue date, Redemption Stockholders have the one-time right to request the Company to redeem all or any portion of the outstanding Series F and G redeemable convertible preferred stock at a price equal to the redemption price which is calculated as greater of (1) the Series F issue price or the Series G issue price per share, plus any Series F or Series G accrued but unpaid dividends and (2) the fair market value of a single share of Series F or Series G preferred stock as of the date of the receipt of the redemption request, as mutually agreed upon by the Redemption Stockholders and the Company. Additionally, the holders of Series H preferred stock are not entitled to initiate a redemption but are entitled to participate in a redemption initiated by the holders of the Series F or G preferred stock.

**Classification**

The Company has classified the redeemable convertible preferred stock as temporary equity on the balance sheets as a result of the redemption rights described above. The Company has also classified its convertible preferred stock as temporary equity on the balance sheets as the stock is contingently redeemable. Upon the occurrence of certain change in control events that are outside the Company’s control, including liquidation, sale or transfer of the Company, holders of the convertible preferred stock can cause redemption for cash.

**9. Common Stock**

The Company had reserved shares of common stock for issuance, on an as-converted basis, as follows:

	December 31,		March 31, 2019 (unaudited)
	2017	2018	
Convertible preferred stock outstanding	34,917,374	36,862,298	38,778,180
Redeemable convertible preferred stock outstanding	7,361,818	16,410,256	19,585,426
Options issued and outstanding	7,798,568	9,672,102	9,204,328
Shares available for future stock option issuances	674,760	1,124,482	805,975
Warrants to purchase convertible preferred stock	103,563	103,563	103,563
Warrants to purchase common stock	67,974	10,677	5,742
Total	<u>50,924,057</u>	<u>64,183,378</u>	<u>68,483,214</u>

**10. Share-based Compensation Plans**

In 2011, the Company adopted the Equity Incentive Plan (2011 Plan) authorizing the granting of incentive stock options (ISOs) and non-statutory stock options (NSOs) to eligible participants for up to 12,987,255 shares of common stock. Under the 2011 Plan, incentive stock options and non-statutory stock options are to be granted at an exercise price that is no less than 100% of the fair value of the stock at the date of grant. Options generally vest over four years and are exercisable for up to 10 years after the date of grant. Incentive stock options granted to stockholders who own more than 10% of the outstanding stock of the Company at the time of grant must be issued at an exercise price no less than 110% of the fair value of the stock on the date of grant.

**THE REALREAL, INC.**  
**Notes to Financial Statements**

Activity under the Company's stock option plan is set forth below:

	Options Available for Grant	Number of Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
Balances at December 31, 2017	674,760	7,798,568	\$ 2.02	7.6	\$ 5,881
Options authorized	2,571,053				
Options granted	(3,264,325)	3,264,325	5.23		
Options exercised	—	(247,797)	1.94		
Options cancelled	1,142,994	(1,142,994)	2.89		
Balances at December 31, 2018	<u>1,124,482</u>	<u>9,672,102</u>	3.00	7.1	44,883
Balances at March 31, 2019 (unaudited)	<u>805,975</u>	<u>9,204,328</u>	3.32	7.4	67,019
Options exercisable—December 31, 2018		<u>5,596,702</u>	1.81	5.5	32,562
Options vested and expected to vest—December 31, 2018		<u>9,672,102</u>	3.01	7.1	44,883

The aggregate intrinsic value of options exercised for the years ended December 31, 2017 and 2018 was \$0.4 million and \$1.4 million, respectively. The aggregate intrinsic value of options exercised was immaterial for the three months ended March 31, 2018 and \$6.8 million for the three months ended March 31, 2019 (unaudited).

**Stock-based Compensation**

In determining the fair value of the stock-based awards, the Company uses the Black-Scholes option-pricing model and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment.

*Fair Value of Common Stock*—The fair value of the shares of common stock has historically been determined by the Company's board of directors as there was no public market for the common stock. The board of directors determines the fair value of the common stock by considering a number of objective and subjective factors, including: third-party valuations of the Company's common stock, the valuation of comparable companies, the Company's operating and financial performance and general and industry specific economic outlook, amongst other factors.

*Expected Term*—The expected term represents the period that the Company's stock options are expected to be outstanding and is determined using the simplified method (based on the mid-point between the vesting date and the end of the contractual term).

*Volatility*—Because the Company is privately held and does not have an active trading market for its common stock, the expected volatility was estimated based on the average volatility for publicly-traded companies that we consider to be comparable, over a period equal to the expected term of the stock option grants.

*Risk-free Rate*—The risk-free rate assumption is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of the option.

*Dividends*—The Company has never paid dividends on its common stock and does not anticipate paying dividends on common stock. Therefore, the Company uses an expected dividend yield of zero.

**THE REALREAL, INC.**

**Notes to Financial Statements**

The following assumptions were used to estimate the fair value of stock options granted and the resulting fair values:

	<u>Year Ended December 31,</u>		<u>Three Months Ended March 31,</u>	
	<u>2017</u>	<u>2018</u>	<u>2018</u>	<u>2019</u>
Expected term (in years)	5.0 – 6.9	5.2 – 6.2	5.8 – 6.1	5.5 – 6.1
Expected volatility	47.0% –	46.6% –	47.8% –	47.5% –
	50.3%	48.1%	47.9%	47.8%
Average risk-free rate	1.7% – 2.2%	2.7% – 2.9%	2.7% – 2.8%	2.4% – 2.6%
Dividend yield	—	—	—	—

The weighted average grant date fair value of options granted during the years ended December 31, 2017 and 2018 was \$1.26 per share and \$3.36 per share, respectively. The weighted average grant date fair value of options granted during the three months ended March 31, 2018 and 2019 was \$2.21 per share and \$5.42 per share, respectively (unaudited).

As of December 31, 2018 and March 31, 2019 (unaudited), total unrecognized stock-based compensation expense was \$10.4 million and \$12.5 million, respectively. These costs are expected to be recognized over a weighted average period of 3.4 years and 3.3 years as of December 31, 2018 and March 31, 2019 (unaudited), respectively.

Total stock-based compensation expense by function was as follows (in thousands):

	<u>Year Ended December 31,</u>		<u>Three Months Ended March 31,</u>	
	<u>2017</u>	<u>2018</u>	<u>2018</u>	<u>2019</u>
Marketing	\$ 129	\$ 164	\$ 34	\$ 68
Operations and technology	625	1,160	273	490
Selling, general and administrative	1,099	1,587	238	551
Total	\$ 1,853	\$ 2,911	\$ 545	\$ 1,109

The amounts presented in the above table exclude compensation expense related to the secondary sale transaction. In September 2018, executives of the Company sold an aggregate of 432,270 shares of the Company's common stock at a price of \$9.0902 per share for an aggregate amount of \$3.9 million to certain of the Company's existing investors. The Company determined that the purchase price was in excess of the fair value of such shares. As a result, during the year ended December 31, 2018, the Company recorded the excess of the purchase price above fair value of \$0.8 million as compensation expense within selling, general and administrative in the statements of operations and a corresponding credit to additional paid-in capital.

Additionally, in March 2019 (unaudited), executives of the Company sold an aggregate of 382,477 shares of the Company's common stock at a price of \$12.72 per share for an aggregate amount of \$4.9 million to certain of the Company's existing investors. The Company determined that the purchase price was in excess of the fair value of such shares. As a result, during the three months ended March 31, 2019 (unaudited), the Company recorded the excess of the purchase price above fair value of \$0.8 million as compensation expense within selling, general and administrative in the statement of operations and a corresponding credit to additional paid-in capital.

**THE REALREAL, INC.**  
**Notes to Financial Statements**

**11. Commitments and Contingencies**

**Leases**

The Company leases its corporate offices, retail spaces and merchandising and fulfillment facilities under various noncancelable operating leases with terms ranging from one year to eleven years. Rent expense from operating leases totaled \$7.2 million and \$10.4 million for the years ended December 31, 2017 and 2018, respectively. The current portion of deferred rent was \$0.5 million and \$0.7 million as of December 31, 2017 and 2018, respectively, and is included in other accrued and current liabilities on the balance sheets. The noncurrent portion of deferred rent was \$2.9 million and \$5.3 million as of December 31, 2017 and 2018, respectively, and is included in other noncurrent liabilities on the balance sheets.

In January 2019, the Company signed a noncancelable operating lease to extend and expand the existing lease in Chicago, Illinois to a 91-month term ending November 2026. The minimum lease payments for the extension are \$1.3 million (unaudited).

Rent expense from operating leases totaled \$2.0 million and \$4.1 million for the three months ended March 31, 2018 and 2019, respectively (unaudited). The current portion of deferred rent was \$0.8 million as of March 31, 2019 (unaudited). The noncurrent portion of deferred rent was \$5.8 million as of March 31, 2019 (unaudited).

The Company has capital lease obligations for certain vehicles and equipment. The Company recognized interest expense from capital leases of \$0.1 million and \$47,000 for the years ended December 31, 2017 and 2018, respectively. Interest expense related to capital leases were insignificant for the three months ended March 31, 2018 and 2019 (unaudited). The current portion of capital lease obligations was \$0.3 million and \$0.3 million as of December 31, 2017 and 2018, respectively, and \$0.3 million as of March 31, 2019 (unaudited) and is included in other accrued and current liabilities on the balance sheets. The noncurrent portion of capital lease obligation was \$0.3 million and \$30,000 as of December 31, 2017 and 2018, respectively, and \$24,000 as of March 31, 2019 (unaudited) and is included in other noncurrent liabilities on the balance sheets. The noncurrent portion as of December 31, 2018 is due within two years.

As of December 31, 2018, the Company's future minimum lease payments under the noncancelable leases are as follows (in thousands):

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2019	\$ 15,563
2020	16,082
2021	16,020
2022	12,959
2023	11,653
Thereafter	48,973
<b>Total future minimum payments</b>	<b><u>\$ 121,250</u></b>

**THE REALREAL, INC.**  
**Notes to Financial Statements**

**Noncancelable Purchase Commitments**

As of December 31, 2018, the future minimum payments under the Company's noncancelable purchase commitments were as follows (in thousands):

<u>Year Ending December 31,</u>	<u>Purchase Commitments</u>
2019	\$ 2,390
2020	1,890
2021	209
Total future minimum payments	<u>\$ 4,489</u>

**Other Commitments**

In January 2018, the Company and the University of Arizona Foundation entered into an endowment agreement (the "Endowment Agreement") to establish a fund (the "Fund") to create and grow a gemology degree program in the Department of Geosciences at the University of Arizona (the "University"). The Company agreed to donate a total of \$2.0 million, payable in four annual installments of \$0.5 million. The first installment was paid in January 2018 on execution of the Endowment Agreement.

There are no conditions that the University must meet to receive the funds nor any penalties to the University for nonperformance. The Endowment Agreement directs the use of the funds but contains no binding restrictions on the use of the funds. On the execution of the Endowment Agreement, the Company recognized \$1.7 million expense for the estimated fair value of the grant, using a discount rate of 10%, to selling, general and administrative expenses in the statements of operations. The Company recognized a corresponding liability for the remaining installment payments and will recognize accretion of the liability as interest expense over the remaining term of the Endowment Agreement.

For the year ended December 31, 2018, the Company recognized \$0.1 million in interest expense in the statements of operations for the accretion of the grant liability. Interest expense related to the accretion of the grant liability was immaterial in the three months ended March 31, 2018 and 2019 (unaudited). As of December 31, 2018, the outstanding liability was \$1.4 million, of which \$0.5 million is included in other accrued and current liabilities on the balance sheet and \$0.9 million is included in other noncurrent liabilities on the balance sheet. As of March 31, 2019 (unaudited), the outstanding liability was \$0.9 million, of which \$0.5 million is included in other accrued and current liabilities on the balance sheet and \$0.4 million is included in other noncurrent liabilities on the balance sheet.

**Contingencies**

From time to time the Company is subject to, and it is presently involved in, litigation and other legal proceedings. Accounting for contingencies requires the Company to use judgment related to both the likelihood of a loss and the estimate of the amount or range of loss. The Company records a loss contingency when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

On November 14, 2018, Chanel, Inc. ("Chanel") filed a lawsuit against the Company in the U.S. District Court for the Southern District of New York bringing various trademark- and advertising-related claims under the Lanham Act and New York state law analogues. Chanel alleges that the Company's resale of Chanel products confuses consumers into believing that Chanel is affiliated with the Company and involved in authenticating

**THE REALREAL, INC.**

**Notes to Financial Statements**

consignors' goods and that only Chanel is capable of authenticating second-hand Chanel goods. Chanel alleges, in particular, that the Company has made false representations concerning the Chanel-branded goods sold on our platform and that a number of these goods were counterfeit. The lawsuit seeks money damages as well as injunctive relief. The Company believes that it has meritorious defenses and intends to defend this lawsuit vigorously. The Company is not able to predict or reasonably estimate the ultimate outcome or possible losses relating to this claim.

**Indemnifications**

In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to vendors, directors, officers and other parties with respect to certain matters. The Company has not incurred any material costs as a result of such indemnifications and have not accrued any liabilities related to such obligations in its financial statements.

**12. Income Taxes**

The components of the Company's income tax provision consisted of (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2018</u>
Current:		
Federal	\$ —	\$ —
State	57	99
Total current tax expense	<u>57</u>	<u>99</u>
Deferred:		
Federal	—	—
State	—	—
Total deferred tax expense	<u>—</u>	<u>—</u>
Total provision for income taxes	<u>\$ 57</u>	<u>\$ 99</u>

The reconciliation of the Federal statutory income tax provision for the Company's effective income tax provision (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2018</u>
Tax at federal statutory rate	\$ (17,637)	\$ (15,890)
State taxes, net of federal effect	(2,150)	(4,280)
Non-deductible items	618	537
Valuation allowance	19,226	19,732
Provision for income taxes	<u>\$ 57</u>	<u>\$ 99</u>



**THE REALREAL, INC.**  
**Notes to Financial Statements**

The Company's deferred tax assets and liabilities (in thousands):

	December 31,	
	2017 (as revised)	2018
Deferred tax assets:		
Net operating loss carryforwards	\$ 42,723	\$ 61,173
Fixed assets and intangibles	655	1,380
Accruals and reserves	1,885	3,702
Gross deferred tax assets	45,263	66,255
Less: valuation allowance	(44,693)	(65,611)
Total deferred tax assets	570	644
Deferred tax liabilities:		
Fixed assets and intangibles	(570)	(644)
Gross deferred tax liabilities	(570)	(644)
Net deferred tax assets	\$ —	\$ —

The Tax Cuts and Jobs Act of 2017 ("Tax Act"), which went into effect on December 22, 2017, significantly revises the Internal Revenue Code of 1986, as amended ("IRC"). The Tax Act contains, among other things, significant changes to corporate taxation, including reduction of the corporate tax rate from a top marginal rate of 35% to a flat rate of 21%. The Company's gross deferred tax assets have been revalued from 35% to 21% with a corresponding offset to the valuation allowance and any potential other taxes arising due to the Tax Act will result in reductions to its net operating loss carryforward and valuation allowance. Deferred tax items of approximately \$67.0 million as of December 31, 2017, have been revalued to approximately \$44.6 million with a corresponding decrease to the Company's valuation allowance of approximately \$22.4 million related to the rate change for December 31, 2017. During 2018, the Company continued to assess the provision for income taxes as guidance was issued. No significant revisions have been necessary.

In assessing the realizability of deferred tax assets, the Company evaluates all available positive and negative evidence by considering whether it is more likely than not that some portion or all of the deferred tax assets will not be recognized. The ultimate realization of deferred tax assets is dependent upon future taxable income, future reversals of existing taxable temporary difference, taxable income in carryback years and tax-planning strategies. The Company believes it is more likely than not that the deferred tax assets in the U.S. will not be realized; accordingly, a valuation allowance has been established against our U.S. deferred tax assets. The net change in the valuation allowance for the years ended December 31, 2017 and December 31, 2018 was a decrease of \$3.2 million and an increase of \$21.0 million, respectively.

As of December 31, 2017 and 2018, the Company has a net operating loss carryforward of \$169.0 million and \$232.3 million for federal tax purposes, respectively, and \$148.7 million and \$199.8 million for state tax purposes, respectively. If not utilized, these losses will expire beginning in 2032 for California purposes. Based on the available positive and negative evidence, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. However, beginning in tax year 2018 and forward, the Federal law has changed such that net operating losses generated after December 31, 2017 may be carried forward indefinitely. Accordingly, \$169.0 million of the federal net operating losses will begin to expire in 2032. However, \$63.3 million of the federal net operating losses will not expire.

**THE REALREAL, INC.**

**Notes to Financial Statements**

The Tax Reform Act of 1986 limits the use of net operating loss and tax credit carryforwards in certain situations where changes occur in the stock ownership of a company. In the event that the Company has had a change in ownership, utilization of the carryforwards could be restricted.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal, state and local, jurisdictions, where applicable. As of December 31, 2017 and 2018, all years generally remain open to examination. Additionally, net operating loss carryforwards are subject to examination by the Internal Revenue Service and the California Franchise Tax Board for up to three years after utilization.

As of December 31, 2017 and 2018, the Company does not have uncertain tax positions for which it has recorded as a liability. The Company's policy is to include interest and penalties as a component to the statements of operations. There were no such tax penalties or interest during the years ended December 31, 2017 and 2018.

**13. Net Loss Per Share Attributable to Common Stockholders**

A reconciliation of the numerator and denominator used in the calculation of the basic and diluted net loss per share attributable to common stockholders is as follows (in thousands, except share and per share data):

	Years Ended December 31,		Three Months Ended March 31,	
	2017	2018	2018	2019
			(unaudited)	
<b>Numerator</b>				
Net loss attributable to common stockholders	\$ (54,918)	\$ (84,687)	\$ (15,215)	\$ (26,577)
<b>Denominator</b>				
Weighted-average common shares outstanding used to calculate net loss per share attributable to common stockholders, basic and diluted	8,145,787	8,365,344	8,299,688	8,705,664
Net loss per share attributable to common stockholders, basic and diluted	\$ (6.74)	\$ (10.12)	\$ (1.83)	\$ (3.05)

The following securities were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented, because including them would have been anti-dilutive (on an as-converted basis):

	Year Ended December 31,		Three Months Ended March 31,	
	2017	2018	2018	2019
			(unaudited)	
Convertible preferred stock	34,917,374	36,862,298	34,917,374	38,778,180
Redeemable convertible preferred stock	7,361,818	16,410,256	7,361,818	19,585,426
Options to purchase common stock	7,798,568	9,672,102	7,801,350	9,204,328
Warrants to purchase convertible preferred stock	103,563	103,563	103,563	103,563
Warrant to purchase common stock	67,974	10,677	67,975	5,742
Total	50,249,297	63,058,896	50,252,080	67,677,239

**THE REALREAL, INC.**  
**Notes to Financial Statements**

**Unaudited Pro Forma Net Loss Per Share**

The following table sets forth the computation of the Company's unaudited pro forma basic and diluted net loss per share attributable to common stockholders (in thousands, except share and per share data) assuming the automatic conversion of the redeemable convertible preferred stock and the convertible preferred stock into common stock and convertible preferred stock warrants into common stock warrants upon consummation of an IPO as if such an event had occurred as of the beginning of the respective period, or the issuance date of the redeemable convertible preferred stock or the convertible preferred stock, if later:

	Year Ended December 31, 2018	Three Months Ended March 31, 2019
<b>Numerator</b>		
Net loss attributable to common stockholders	\$ (84,687)	\$ (26,577)
Add: Change in fair value of redeemable convertible preferred stock warrant liability	450	280
Add: Accretion to redemption value on redeemable convertible preferred stock	8,922	3,355
Net loss used in calculating pro forma earnings per share attributable to common stockholders, basic and diluted	<u>\$ (75,315)</u>	<u>\$ (22,942)</u>
<b>Denominator</b>		
Weighted-average shares used in computing net loss per common share, basic and diluted	8,365,344	8,705,664
Pro forma adjustment to reflect assumed conversion of:		
Weighted average convertible preferred stock	35,865,579	37,067,093
Weighted average redeemable convertible preferred stock	12,171,125	16,759,416
Weighted-average shares of common stock used in computing pro forma net loss per share attributable to common stockholders, basic and diluted	<u>56,402,048</u>	<u>62,532,173</u>
Pro forma net loss per share attributable to common stockholders, basic and diluted	<u>\$ (1.34)</u>	<u>\$ (0.37)</u>

**14. Retirement Plan**

The Company has a defined-contribution 401(k) retirement plan covering substantially all of its employees. Eligible employees are permitted to contribute up to an amount not to exceed an annual statutory maximum. The Company matches employee contributions at a rate of 25% of vested contributions. The Company's contributions to the 401(k) plan were immaterial for the years ended December 31, 2017 and 2018 and the three months ended March 31, 2018 and 2019 (unaudited).

**15. Subsequent Events**

**Series H Preferred Stock Financing**

In March 2019, the Company sold 6,350,345 shares of Series H redeemable convertible preferred stock and 3,831,766 shares of Series H convertible preferred stock at \$6.8748 per share to new and existing investors for aggregate gross proceeds of \$70.0 million. Each share of Series H convertible preferred stock is convertible into one share of the Company's common stock. The rights and privileges of the Series H preferred stock are substantially similar to the rights and privileges of the Series G preferred stock; provided, however, that (1) the holders of Series H preferred stock are not entitled to initiate a redemption but are entitled to participate in a

**THE REALREAL, INC.**

**Notes to Financial Statements**

redemption initiated by the holders of the Series F or G preferred stock and (2) the holders of Series H preferred stock are entitled to an adjustment of the conversion price of the Series H preferred stock in the event of a Qualified Public Offering in which the offering price per share is less than the original issuance price of the Series H preferred stock.

***Leases***

In January 2019, the Company signed a noncancelable operating lease to extend and expand the existing lease in Chicago, IL to a 91-month term ending November 2026. The minimum lease payments for the extension are \$1.3 million.

**16. Subsequent Events (Unaudited)**

***Leases***

In April 2019, the Company signed a new noncancelable operating lease for its second retail store in New York City. The lease term is through January 31, 2020 with an option to extend for up to five years. The minimum lease payments for the initial lease term total \$0.6 million.



# The Real Real

**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 13. Other Expenses of Issuance and Distribution**

The following table sets forth all expenses to be paid by the registrant, other than estimated underwriting discounts and commissions, in connection with this offering. All amounts shown are estimates except for the Securities and Exchange Commission registration fee, the FINRA filing fee and the exchange listing fee:

	<u>Amount to be Paid</u>
Securities and Exchange Commission registration fee	\$ 39,724
FINRA filing fee	43,250
Nasdaq listing fee	295,000
Printing and engraving expenses	400,000
Legal fees and expenses	1,600,000
Accounting fees and expenses	2,000,000
Transfer agent and registrar fees	25,000
Miscellaneous	897,026
Total	<u>\$5,300,000</u>

**Item 14. Indemnification of Directors and Officers**

The RealReal, Inc. is incorporated under the laws of the State of Delaware. Reference is made to Section 102(b)(7) of the General Corporation Law of the State of Delaware, as amended (the "DGCL"), which enables a corporation in its original certificate of incorporation or an amendment thereto to eliminate or limit the personal liability of a director for violations of the director's fiduciary duty, except (1) for any breach of the director's duty of loyalty to the corporation or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) pursuant to Section 174 of the DGCL, which provides for liability of directors for unlawful payments of dividends or unlawful stock purchase or redemptions or (4) for any transaction from which the director derived an improper personal benefit.

Section 145(a) of the DGCL provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), because he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Section 145(b) of the DGCL provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor because the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made with

respect to any claim, issue or matter as to which he or she shall have been adjudged to be liable to the corporation unless and only to the extent that the adjudicating court determines that, despite the adjudication of liability but in view of all of the circumstances of the case, he or she is fairly and reasonably entitled to indemnity for such expenses which the adjudicating court shall deem proper.

Section 145(g) of the DGCL provides, in general, that a corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify the person against such liability under Section 145 of the DGCL.

We expect that the certificate of incorporation adopted by us prior to the completion of this offering will provide that no director of our company shall be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to us or our stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) in respect of unlawful dividend payments or stock redemptions or repurchases or other distributions pursuant to Section 174 of the DGCL, or (4) for any transaction from which the director derived an improper personal benefit. In addition, our charter will provide that if the DGCL is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of our company shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

We also expect our charter will further provide that any amendment, repeal or modification of such article unless otherwise required by law will not adversely affect any right or protection existing at the time of such repeal or modification with respect to any acts or omissions occurring before such repeal or amendment of a director serving at the time of such repeal or modification.

We expect that our certificate of incorporation adopted by us prior to the completion of this offering, will provide that we shall indemnify each of our directors and executive officers, and shall have power to indemnify our other officers, employees and agents, to the fullest extent permitted by the DGCL as the same may be amended (except that in the case of an amendment, only to the extent that the amendment permits us to provide broader indemnification rights than the DGCL permitted us to provide prior to such the amendment) against any and all expenses, judgments, penalties, fines and amounts reasonably paid in settlement that are incurred by the director, officer or such employee or on the director's, officer's or employee's behalf in connection with any threatened, pending or completed proceeding or any claim, issue or matter therein, to which he or she is or is threatened to be made a party because he or she is or was serving as a director, officer or employee of our company, or at our request as a director, partner, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of our company and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. We expect the certificate of incorporation will further provide for the advancement of expenses to each of our directors and, in the discretion of the board of directors, to certain officers and employees, in advance of the final disposition of such action, suit or proceeding only upon receipt of an undertaking by such person to repay all amounts advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such person is not entitled to be indemnified for such expenses.

In addition, we expect the certificate of incorporation will provide that the right of each of our directors and officers to indemnification and advancement of expenses shall not be exclusive of any other right now possessed or hereafter acquired under any statute, provision of the charter or bylaws, agreement, vote of stockholders or otherwise. Furthermore, our certificate of incorporation will authorize us to provide insurance for our directors, officers, employees and agents against any liability, whether or not we would have the power to indemnify such person against such liability under the DGCL or the bylaws.



We have entered into indemnification agreements with each of our directors and our executive officers. These agreements will provide that we will indemnify each of our directors and such officers to the fullest extent permitted by law and our certificate of incorporation.

We also maintain a general liability insurance policy which covers certain liabilities of directors and officers of our company arising out of claims based on acts or omissions in their capacities as directors or officers.

In any underwriting agreement we will enter into in connection with the sale of the common stock being registered hereby, the underwriters will agree to indemnify, under certain conditions, us, our directors, our officers and persons who control us within the meaning of the Securities Act, against certain liabilities.

**Item 15. Recent Sales of Unregistered Securities**

Since December 31, 2015, we have issued the following unregistered securities:

***Preferred Stock Issuances***

In April 2016, we sold an aggregate of 13,586,946 shares of our Series E preferred stock to 23 accredited investors at a purchase price of \$2.944 per share, for an aggregate purchase price of \$40.0 million.

In May 2017, we sold an aggregate of 12,956,724 shares of our Series F preferred stock to two accredited investors at a purchase price of \$3.859 per share, for an aggregate purchase price of \$50.0 million.

In June 2018, we issued an aggregate of 3,065,259 shares of Series G preferred stock to 15 accredited investors, upon conversion of convertible notes at a purchase price of \$4.7565 for an aggregate purchase price of \$14.6 million. In June and July 2018, we sold an aggregate of 18,921,474 shares of Series G preferred stock to six accredited investors at a purchase price of \$5.2850 for an aggregate purchase price of \$100.0 million.

In March 2019, we sold an aggregate of 10,182,111 shares of our Series H preferred stock to 15 accredited investors at a purchase price of \$6.8748 per share, for an aggregate purchase price of \$70.0 million.

The preferred stock issuances described above were exempt from registration under the Securities Act (or Regulation D promulgated thereunder) by virtue of Section 4(a)(2) of the Securities Act as transactions by an issuer not involving a public offering. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions. All recipients had adequate access, through their relationships with us, to information about us. The sales of these securities were made without any general solicitation or advertising.

***Warrant Issuances***

In September 2016, we issued a warrant to purchase 25,597 shares of our Series E preferred stock to Pacific Western Bank in connection with an increase to the outstanding principal under the existing loan and security agreement, as amended, with Square 1 Bank, a division of Pacific Western Bank, at an exercise price of \$2.93 per share. The warrant has not been exercised.

In August 2017, we issued a warrant to purchase 22,916 shares of our common stock to an accredited investor in connection with an executive search consulting agreement at an exercise price of \$2.68 per share. The warrant has been exercised in full.

***Option and RSU Issuances***

From December 31, 2015 through the filing date of this registration statement, we granted to our directors, officers, employees, consultants and other service providers options to purchase an aggregate of 8,478,509 shares

of our common stock under our equity compensation plans at exercise prices ranging from approximately \$2.56 to \$19.00 per share.

The option and RSU issuances described above were exempt from registration under the Securities Act under either (1) Rule 701 in that the transactions were under compensatory benefit plans and contracts relating to compensation as provided under Rule 701 or (2) Section 4(a)(2) of the Securities Act as transactions by an issuer not involving any public offering. The recipients of such securities were the registrant's employees, consultants or directors and received the securities under the registrant's equity compensation plans. The recipients of securities in each of these transactions represented their intention to acquire the securities for investment only and not with view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions

**Item 16. Exhibits and Financial Statement Schedules**

(a) Exhibits

See the Exhibit Index immediately preceding the signature page hereto for a list of exhibits filed as part of this registration statement on Form S-1, which Exhibit Index is incorporated herein by reference.

(b) Financial Statement Schedules

Schedules not listed have been omitted because the information required to be set forth therein is not applicable, not material or is shown in the financial statements or notes thereto.

**Item 17. Undertakings**

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, (the "Act"), may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
1.1	<a href="#">Form of Underwriting Agreement.</a>
3.1^	<a href="#">Amended and Restated Certificate of Incorporation of The RealReal, Inc., as amended, as currently in effect.</a>
3.2	<a href="#">Form of Amended and Restated Certificate of Incorporation of The RealReal, Inc., to be in effect on the completion of the offering (as revised).</a>
3.3^	<a href="#">Amended and Restated Bylaws of The RealReal, Inc., as currently in effect.</a>
3.4^	<a href="#">Form of Amended and Restated Bylaws of The RealReal, Inc., to be in effect on the completion of the offering.</a>
4.1	<a href="#">Form of Common Stock Certificate.</a>
4.2^	<a href="#">Form of Warrant to Purchase Common Stock.</a>
4.3^	<a href="#">Form of Warrant to Purchase Series B Preferred Stock.</a>
4.4^	<a href="#">Form of Warrant to Purchase Series C Preferred Stock.</a>
4.5^	<a href="#">Form of Warrant to Purchase Series D Preferred Stock.</a>
4.6^	<a href="#">Form of Warrant to Purchase Series E Preferred Stock.</a>
4.7^	<a href="#">Seventh Amended and Restated Investor Rights Agreement, dated March 22, 2019 among The RealReal, Inc. and certain holders of its capital stock.</a>
5.1	<a href="#">Opinion of Sidley Austin LLP.</a>
10.1+^	<a href="#">The RealReal, Inc. 2011 Equity Incentive Plan and related form agreements.</a>
10.2+	<a href="#">Form of Indemnification Agreement entered into by and between The RealReal, Inc. and its directors and executive officers.</a>
10.3#^	<a href="#">Loan and Security Agreement dated as of September 19, 2013 by and between The RealReal, Inc. and Square 1 Bank.</a>
10.4#^	<a href="#">First Amendment to Loan and Security Agreement dated as of March 13, 2014 by and between The RealReal, Inc. and Square 1 Bank.</a>
10.5#^	<a href="#">Second Amendment to Loan and Security Agreement dated as of August 5, 2014 by and between The RealReal, Inc. and Square 1 Bank.</a>
10.6#^	<a href="#">Third Amendment to Loan and Security Agreement dated as of September 25, 2014 by and between The RealReal, Inc. and Square 1 Bank.</a>
10.7#^	<a href="#">Fourth Amendment to Loan and Security Agreement dated as of December 28, 2015 by and between The RealReal, Inc. and Pacific Western Bank.</a>
10.8#^	<a href="#">Fifth Amendment to Loan and Security Agreement dated as of July 18, 2016 by and between The RealReal, Inc. and Pacific Western Bank.</a>
10.9#^	<a href="#">Sixth Amendment to Loan and Security Agreement dated as of September 16, 2016 by and between The RealReal, Inc. and Pacific Western Bank.</a>
10.10#^	<a href="#">Seventh Amendment to Loan and Security Agreement dated as of March 28, 2017 by and between The RealReal, Inc. and Pacific Western Bank.</a>
10.11#^	<a href="#">Eighth Amendment to Loan and Security Agreement dated as of July 27, 2017 by and between The RealReal, Inc. and Pacific Western Bank.</a>
10.12#^	<a href="#">Ninth Amendment to Loan and Security Agreement dated as of March 5, 2018 by and between The RealReal, Inc. and Pacific Western Bank.</a>

<b>Exhibit Number</b>	<b>Description</b>
10.13#^	<a href="#">Tenth Amendment to Loan and Security Agreement dated as of July 25, 2018 by and between The RealReal, Inc. and Pacific Western Bank.</a>
10.14^	<a href="#">Eleventh Amendment to Loan and Security Agreement dated as of August 9, 2018 by and between The RealReal, Inc. and Pacific Western Bank.</a>
10.15#^	<a href="#">Twelfth Amendment to Loan and Security Agreement dated as of December 19, 2018 by and between The RealReal, Inc. and Pacific Western Bank.</a>
10.16#^	<a href="#">Lease Agreement dated as of March 18, 2014 by and between The RealReal, Inc. and 35 Enterprise Avenue, L.L.C.</a>
10.17#^	<a href="#">Lease Modification Agreement dated as of March 8, 2018 by and between The RealReal, Inc. and 35 Enterprise Avenue, L.L.C.</a>
10.18#^	<a href="#">Lease Agreement dated as of March 14, 2016 by and between The RealReal, Inc. and M&amp;L Associates.</a>
10.19#^	<a href="#">Lease Agreement dated as of June 5, 2018 by and between The RealReal, Inc. and Hartz Enterprise LLC.</a>
10.20#^	<a href="#">Lease Agreement dated as of September 14, 2018 by and between The RealReal, Inc. and Prologis Perth Amboy Associates, LLC.</a>
10.21+	<a href="#">The RealReal, Inc. 2019 Equity Incentive Plan.</a>
10.22+	<a href="#">The RealReal, Inc. 2019 Employee Stock Purchase Plan.</a>
23.1	<a href="#">Consent of KPMG LLP, independent registered public accounting firm.</a>
23.2	<a href="#">Consent of Sidley Austin LLP (included in Exhibit 5.1).</a>
24.1^	<a href="#">Power of Attorney (included on the signature page to this Registration Statement).</a>

^ Previously filed.

+ Indicates management contract or compensatory plan.

# Portions of the exhibit have been excluded because it both (i) is not material and (ii) would be competitively harmful if publicly disclosed.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in San Francisco, California, on the 17th day of June, 2019.

**The RealReal, Inc.**

By: /s/ Julie Wainwright  
 Julie Wainwright  
 Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Julie Wainwright</u> Julie Wainwright	Chairperson and Chief Executive Officer (Principal Executive Officer)	June 17, 2019
<u>/s/ Matt Gustke</u> Matt Gustke	Chief Financial Officer (Principal Financial Officer)	June 17, 2019
<u>/s/ Steve Lo</u> Steve Lo	Vice President, Corporate Controller (Principal Accounting Officer)	June 17, 2019
<u>*</u> Chip Baird	Director	June 17, 2019
<u>*</u> Maha Ibrahim	Director	June 17, 2019
<u>*</u> Rob Krolik	Director	June 17, 2019
<u>*</u> Michael Kumin	Director	June 17, 2019
<u>*</u> Stefan Larsson	Director	June 17, 2019
<u>*</u> Niki Leondakis	Director	June 17, 2019
<u>*</u> James Miller	Director	June 17, 2019

\*By: /s/ Julie Wainwright  
 Julie Wainwright  
 Attorney-in-Fact

[ ] shares

The RealReal, Inc.

Common Stock

UNDERWRITING AGREEMENT

[ ], 2019

CREDIT SUISSE SECURITIES (USA) LLC  
BOFA SECURITIES, INC., AND  
UBS SECURITIES LLC,

As Representatives of the Several Underwriters,  
c/o Credit Suisse Securities (USA) LLC,  
Eleven Madison Avenue,  
New York, NY 10010

c/o BofA Securities, Inc.  
One Bryant Park  
New York, NY 10036

c/o UBS Securities LLC  
1285 Avenue of the Americas  
New York, NY 10019

Dear Sirs:

1. *Introductory.* The RealReal, Inc., a Delaware corporation (“**Company**”) agrees with the several Underwriters named in Schedule A hereto (“**Underwriters**”) to issue and sell to the several Underwriters [ ] shares of its common stock (the “**Firm Securities**”). The Company also agrees to sell to the Underwriters, at the option of the Underwriters, an aggregate of not more than [ ] additional shares of its Securities (such additional shares of securities to be sold by the Company, “**Optional Securities**”), as set forth below. The Firm Securities and the Optional Securities are herein collectively called the “**Offered Securities**”.

2. *Representations and Warranties of the Company.* The Company represents and warrants to, and agrees with, the several Underwriters that:

(i) *Filing and Effectiveness of Registration Statement; Certain Defined Terms.* The Company has filed with the Commission a registration statement on Form S-1 (No. 333-231891) covering the registration of the Offered Securities under the Act, including a related preliminary prospectus or prospectuses. At any particular time, this initial registration statement, in the form then on file with the Commission, including all information contained in the registration statement (if any) pursuant to Rule 462(b) and then deemed to be a part of the initial registration statement, and all 430A Information and 430C Information, that in any case has not then been superseded or modified, shall be referred to as the “**Initial Registration Statement**”. The Company may also have filed, or may file with the Commission, a Rule 462(b) registration statement covering the registration of the Offered Securities. At any particular time, this Rule 462(b) registration statement, in the form then on file with the Commission, including the contents of the Initial Registration Statement incorporated by reference therein and including all 430A Information and all 430C Information, that in any case has not then been superseded or modified, shall be referred to as the “**Additional Registration Statement**”.

As of the time of execution and delivery of this Agreement, the Initial Registration Statement has been declared effective under the Act and is not proposed to be amended. Any Additional Registration Statement has or will become effective upon filing with the Commission pursuant to Rule 462(b) and is not proposed to be amended. The Offered Securities all have been or will be duly registered under the Act pursuant to the Initial Registration Statement and, if applicable, the Additional Registration Statement.

For purposes of this Agreement:

“**430A Information**”, with respect to any registration statement, means information included in a prospectus and retroactively deemed to be a part of such registration statement pursuant to Rule 430A(b).

“**430C Information**”, with respect to any registration statement, means information included in a prospectus then deemed to be a part of such registration statement pursuant to Rule 430C.

“**Act**” means the Securities Act of 1933, as amended.

“**Applicable Time**” means [ ]:00 p.m. (Eastern time) on the date of this Agreement.

“**Closing Date**” has the meaning defined in [Section 3](#) hereof.

“**Commission**” means the Securities and Exchange Commission.

“**Effective Time**” with respect to the Initial Registration Statement or, if filed prior to the execution and delivery of this Agreement, the Additional Registration Statement means the date and time as of which such Registration Statement was declared effective by the Commission or has become effective upon filing pursuant to Rule 462(c). If an Additional Registration Statement has not been filed prior to the execution and delivery of this Agreement but the Company has advised the Representatives that it proposes to file one, “**Effective Time**” with respect to such Additional Registration Statement means the date and time as of which such Additional Registration Statement is filed and becomes effective pursuant to Rule 462(b).

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Final Prospectus**” means the Statutory Prospectus that discloses the public offering price, other 430A Information and other final terms of the Offered Securities and otherwise satisfies Section 10(a) of the Act.

“**General Use Issuer Free Writing Prospectus**” means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors, as evidenced by its being so specified in Schedule B to this Agreement.

“**Issuer Free Writing Prospectus**” means any “issuer free writing prospectus,” as defined in Rule 433, relating to the Offered Securities in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company’s records pursuant to Rule 433(g).

“**Limited Use Issuer Free Writing Prospectus**” means any Issuer Free Writing Prospectus that is not a General Use Issuer Free Writing Prospectus.

The Initial Registration Statement and any Additional Registration Statement, after the filing thereof, are referred to collectively as the “**Registration Statements**” and each is individually referred to as a “**Registration Statement**”. A “**Registration Statement**” with reference to a particular time means the Initial Registration Statement and any Additional Registration Statement as of such time. A “**Registration Statement**” without reference to a time means such Registration Statement as of its Effective Time. For purposes of the foregoing definitions, 430A Information with respect to a Registration Statement shall be considered to be included in such Registration Statement as of the time specified in Rule 430A.

“**Rules and Regulations**” means the rules and regulations of the Commission.

“**Securities Laws**” means, collectively, the Sarbanes-Oxley Act of 2002, as amended and all rules and regulations promulgated thereunder or implementing the provisions thereof (“**Sarbanes-Oxley**”), the Act, the Exchange Act, the Rules and Regulations, the auditing principles, rules, standards and practices applicable to auditors of “issuers” (as defined in Sarbanes-Oxley) promulgated or approved by the Public Company Accounting Oversight Board and, as applicable, the rules of The Nasdaq Stock Market LLC (“**Exchange Rules**”).

“**Statutory Prospectus**” with reference to a particular time means the prospectus included in a Registration Statement immediately prior to that time, including any 430A Information or 430C Information with respect to such Registration Statement. For purposes of the foregoing definition, 430A Information shall be considered to be included in the Statutory Prospectus as of the actual time that form of prospectus is filed with the Commission pursuant to Rule 424(b) or Rule 462(c) and not retroactively.

“**Testing-the-Waters Communication**” means any oral or written communication with potential investors undertaken in reliance on Section 5(d) of the Act.

“**Written Testing-the-Waters Communication**” means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Act.

Unless otherwise specified, a reference to a “rule” is to the indicated rule under the Act.

(ii) *Compliance with Securities Act Requirements.* (i) (A) At their respective Effective Times, (B) on the date of this Agreement and (C) on each Closing Date, each of the Initial Registration Statement and the Additional Registration Statement (if any) conformed and, as applicable, will conform in all material respects to the requirements of the Act and the Rules and Regulations, and did not and, as applicable, will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) on its date, at the time of filing of the Final Prospectus pursuant to Rule 424(b) or (if no such filing is required) at the Effective Time of the Additional Registration Statement in which the Final Prospectus is included, and on each Closing Date, the Final Prospectus will conform in all material respects to the requirements of the Act and the Rules and Regulations and will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. The preceding sentence does not apply to statements in or omissions from any such document based upon written information furnished to the Company by any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information is that described as such in Section 8(b), hereof.

(iii) *Ineligible Issuer Status.* (i) At the time of the initial filing of the Initial Registration Statement and (ii) at the date of this Agreement, the Company was not and is not an “ineligible issuer,” as defined in Rule 405, including (x) the Company in the preceding three years not having been convicted of a felony or misdemeanor or having been made the subject of a judicial or administrative decree or order as described in Rule 405 and (y) the Company in the preceding three years not having been the subject of a bankruptcy petition or insolvency or similar proceeding, not having had a registration statement be the subject of a proceeding under Section 8 of the Act and not being the subject of a proceeding under Section 8A of the Act in connection with the offering of the Offered Securities, all as described in Rule 405.

(iv) *Emerging Growth Company Status.* From the time of the initial confidential submission of the Initial Registration Statement to the Commission (or, if earlier, the first date on which the Company engaged directly or through any person authorized to act on its behalf in any Testing-the-Waters Communication) through the date hereof, the Company has been and is an “emerging growth company,” as defined in Section 2(a) of the Act (an “**Emerging Growth Company**”).

(v) *General Disclosure Package.* As of the Applicable Time, none of (i) the General Use Issuer Free Writing Prospectus(es), if any, issued at or prior to the Applicable Time, the preliminary prospectus, dated [                      ], 2019 (which is the most recent Statutory Prospectus



distributed to investors generally) and the other information, if any, stated in Schedule B to this Agreement to be included in the General Disclosure Package, all considered together (collectively, the “**General Disclosure Package**”), (ii) any individual Limited Use Issuer Free Writing Prospectus, when considered together with the General Disclosure Package, or (iii) any individual Written Testing-the-Waters Communication, when considered together with the General Disclosure Package, included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The preceding sentence does not apply to statements in or omissions from any Statutory Prospectus, any Issuer Free Writing Prospectus, or any Written Testing-the-Waters Communication in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 8(b) hereof.

(vi) *Issuer Free Writing Prospectuses*. Each Issuer Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the public offer and sale of the Offered Securities or until any earlier date that the Company notified or notifies the Representatives as described in the next sentence, did not, does not and will not include any information that conflicted, conflicts or will conflict with the information then contained in the Registration Statement. If at any time following issuance of an Issuer Free Writing Prospectus there occurred or occurs an event or development as a result of which such Issuer Free Writing Prospectus conflicted or would conflict with the information then contained in the Registration Statement or as a result of which such Issuer Free Writing Prospectus, if republished immediately following such event or development, would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, (i) the Company has promptly notified or will promptly notify the Representatives and (ii) the Company has promptly amended or will promptly amend or supplement such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission.

(vii) *Testing-the-Waters Communication*. The Company (a) has not alone engaged in any Testing-the-Waters Communication and (b) has not authorized anyone other than the Representatives to engage in Testing-the-Waters Communications. The Company reconfirms that the Representatives have been authorized to act on the Company’s behalf in undertaking Testing-the-Waters Communication. The Company has not presented to any potential investors or otherwise distributed any Written Testing-the-Waters Communication.

(viii) *Good Standing of the Company*. The Company has been duly incorporated and is validly existing as a corporation and in good standing under the laws of the State of Delaware, with all requisite corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement, the General Disclosure Package and the Final Prospectus and to enter into and perform its obligations under this Agreement; and the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification except where the failure to be so qualified or licensed would not individually or in the aggregate, result in a material adverse effect on the condition (financial or otherwise), results of operations, business, properties or prospects of the Company (a “**Material Adverse Effect**”).

(ix) *Subsidiaries*. Each subsidiary of the Company, if any, has been duly incorporated or organized and is validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, with power and authority (corporate and other) to own, lease and operate its properties and to conduct its business as described in the Registration Statement, the General Disclosure Package and the Final Prospectus; and each subsidiary of the Company, if any, is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification; all of the issued and outstanding capital stock of each subsidiary of the Company, if any, has been duly

authorized and validly issued and is fully paid and nonassessable; and the capital stock of each subsidiary owned by the Company, if any, directly or through subsidiaries, is owned free from liens, encumbrances and defects.

(ix) *Offered Securities.* The Offered Securities and all other outstanding shares of capital stock of the Company have been duly authorized; the authorized equity capitalization of the Company is as set forth in the Registration Statement, the General Disclosure Package and the Final Prospectus; all outstanding shares of capital stock of the Company are, and, when the Offered Securities have been delivered and paid for in accordance with this Agreement on each Closing Date, such Offered Securities will have been, validly issued, fully paid and nonassessable, will conform in all material respects to the information in the General Disclosure Package and to the description of such Offered Securities contained in the Final Prospectus; the stockholders of the Company have no preemptive rights with respect to the Offered Securities that have not been waived or satisfied; and none of the outstanding shares of capital stock of the Company have been issued in violation of any preemptive or similar rights of any security holder of the Company. Except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, there are no outstanding (A) securities or obligations of the Company convertible into or exchangeable for any capital stock of the Company, (B) warrants, rights or options to subscribe for or purchase from the Company any such capital stock or any such convertible or exchangeable securities or obligations or (C) obligations of the Company to issue or sell any shares of capital stock, any such convertible or exchangeable securities or obligations or any such warrants, rights or options. The Company has not, directly or indirectly, offered or sold any of the Offered Securities by means of any "prospectus" (within the meaning of the Act and the Rules and Regulations) or used any "prospectus" or made any offer (within the meaning of the Act and the Rules and Regulations) in connection with the offer or sale of the Offered Securities, in each case other than the preliminary prospectus referred to in Section 2(a)(v) hereof, the General Disclosure Package and the Final Prospectus.

(x) *No Finder's Fee.* Except as disclosed in the Registration Statement, the General Disclosure Package, the Final Prospectus and as contemplated by this Agreement, there are no contracts, agreements or understandings between the Company and any person that would give rise to a valid claim against the Company or any Underwriter for a brokerage commission, finder's fee or other like payment in connection with this offering.

(xi) *Registration Rights.* Except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to a Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the Act. (collectively, "registration rights"), and any person to whom the Company has granted registration rights has agreed not to exercise such rights until after the expiration of the Lock-Up Period referred to in Section 5(l) hereof.

(xii) *Listing.* The Offered Securities have been approved for listing on The Nasdaq Global Select Market, subject to official notice of issuance.

(xiii) *Absence of Further Requirements.* No consent, approval, authorization, or order of, or filing or registration with, any person (including any governmental agency or body or any court) is required to be obtained or made by the Company for the consummation of the transactions contemplated by this Agreement in connection with the offering, issuance and sale of the Offered Securities, except such as have been obtained, or made and such as may be required under state securities laws or by the Financial Industry Regulatory Authority ("FINRA").

(xiv) *Title to Property.* Except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, the Company has good and marketable title to all real properties and all other properties and assets owned by them, in each case free from liens, charges, mortgages, pledges, security interests, claims, restrictions or encumbrances and defects that would materially affect the value thereof or materially interfere with the use made or to be made thereof by them and, except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, the Company holds any leased real or personal property under valid and enforceable leases with no terms or provisions that would materially interfere on the use made or to be made thereof by them.

(xv) *Absence of Defaults and Conflicts Resulting from Transaction.* The execution, delivery and performance of this Agreement, and the issuance and sale of the Offered Securities will not result in a breach or violation of any of the terms and provisions of, or constitute a default or a Debt Repayment Triggering Event (as defined below) under, or result in the imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to, (a) the charter or by-laws or similar organizational documents of the Company, (b) any statute, rule, regulation or order of any governmental agency or body or any court, domestic or foreign, having jurisdiction over the Company or (c) any of their properties, or any agreement or instrument to which the Company is a party or by which the Company is bound or to which any of the properties of the Company is subject, except in the case of (b) and (c), as would not, individually or in the aggregate, result in a Material Adverse Effect. A “**Debt Repayment Triggering Event**” means any event or condition that gives, or with the giving of notice or lapse of time would give, the holder of any note, debenture, or other evidence of indebtedness (or any person acting on such holder’s behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company.

(xvi) *Absence of Existing Defaults and Conflicts.* The Company is not (a) in violation of its respective charter or by-laws or similar organizational documents; (b) in default (or with the giving of notice or lapse of time would be in default) under any existing obligation, agreement, covenant or condition contained in any indenture, loan agreement, mortgage, lease or other agreement or instrument to which any of them is a party or by which any of them is bound or to which any of the properties of any of them is subject; or (c) in violation of any law or statute or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority, except in the case of clauses (b) and (c) above, for any such defaults or violation that would not, individually or in the aggregate, result in a Material Adverse Effect.

(xvi) *Authorization of Agreement.* This Agreement has been duly authorized, executed and delivered by the Company.

(xvii) *Possession of Licenses and Permits.* The Company possess, and is in compliance with the terms of, all adequate certificates, authorizations, franchises, licenses and permits issued by appropriate federal, state, local or foreign regulatory bodies (collectively, “**Licenses**”) necessary or material to the conduct of the business now conducted or proposed in the Registration Statement, the General Disclosure Package and the Final Prospectus to be conducted by the Company, except where the failure to possess and be in compliance with such Licenses would not, individually or in the aggregate, have a Material Adverse Effect. The Company has not received any notice of proceedings relating to the revocation or modification of any Licenses that, in each case, if determined adversely to the Company, would individually or in the aggregate have a Material Adverse Effect.

(xviii) *Absence of Labor Dispute.* No material labor dispute with the employees of the Company exists or, to the knowledge of the Company, is imminent and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers, customers or contractors that could in either case have a Material Adverse Effect.

(xix) *Possession of Intellectual Property.* The Company owns, possesses or can acquire on reasonable terms sufficient trademarks, trade names, patent rights, copyrights, domain names, licenses, approvals, trade secrets, inventions, technology, know-how and other intellectual

property and similar rights, including registrations and applications for registration thereof (collectively, "**Intellectual Property Rights**") necessary or material to the conduct of the business now conducted. The expected expiration of any such Intellectual Property Rights would not, individually or in the aggregate, have a Material Adverse Effect. Except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus (i) to the Company's knowledge, there are no rights of third parties to any of the Intellectual Property Rights owned by the Company; (ii) to the Company's knowledge, there is no material infringement, misappropriation breach, default or other violation, or the occurrence of any event that with notice or the passage of time would constitute any of the foregoing, by the Company or third parties of any of the Intellectual Property Rights of the Company; (iii) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the Company's rights in or to, or the violation of any of the terms of, any of their Intellectual Property Rights, and the Company is unaware of any facts which would form a reasonable basis for any such claim; (iv) to the Company's knowledge, there is no pending or threatened action, suit, proceeding or claim by others challenging the validity, enforceability or scope of any such Intellectual Property Rights, and the Company is unaware of any facts which would form a reasonable basis for any such claim; (v) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others that the Company infringes, misappropriates or otherwise violates or conflicts with any Intellectual Property Rights or other proprietary rights of others and the Company is unaware of any other fact which would form a reasonable basis for any such claim; and (vi) none of the Intellectual Property Rights used by the Company in its business has been obtained or is being used by the Company in violation of any contractual obligation binding on the Company in violation of the rights of any persons, except in each case covered by clauses (i) through (vi) such as would not, if determined adversely to the Company, individually or in the aggregate, have a Material Adverse Effect.

(xx) *Environmental Laws*. Except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, (a) the Company (i) is not or has not been in violation of any foreign, federal, state or local statute, law, rule, regulation, judgment, order, decree, decision, ordinance, code or other legally binding requirement (including common law) relating to the pollution, protection or restoration of the environment, wildlife or natural resources; human health or safety; or the generation, use, handling, transportation, treatment, storage, discharge, disposal or release of, or exposure to, any Hazardous Substance (as defined below) (collectively, "**Environmental Laws**"), (ii) is not conducting or funding, in whole or in part, any investigation, remediation, monitoring or other corrective action pursuant to any Environmental Law, including to address any actual or suspected Hazardous Substance, (iii) has not received notice of, or is not subject to any action, suit, claim or proceeding alleging, any actual or potential liability under, or violation of, any Environmental Law, including with respect to any Hazardous Substance, (iv) is not party to any order, decree or agreement that imposes any obligation or liability under any Environmental Law, or (v) is not or has not been in violation of, or has not failed to obtain and maintain, any permit, license, authorization, identification number or other approval required under applicable Environmental Laws; (b) to the knowledge of the Company, there are no facts or circumstances that would reasonably be expected to result in any violation of or liability under any Environmental Law, including with respect to any Hazardous Substance, except in the case of clause (a) and (b) above, for such matters as would not individually or in the aggregate have a Material Adverse Effect; and (c) the Company (i) is not subject to any pending or, to the Company's knowledge, threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigations or proceedings relating to any Environmental Law against the Company, nor does the Company know any such proceeding is contemplated, (ii) is not aware of any material effect on the capital expenditures, earnings or competitive position of the Company resulting from compliance with Environmental Laws, or (iii) does not anticipate any material capital expenditures relating to any Environmental Laws. For purposes of this subsection, "**Hazardous Substance**" means (A) any pollutant, contaminant, petroleum and petroleum products, by-products or breakdown products, radioactive materials, asbestos, asbestos-containing materials, polychlorinated biphenyls or toxic mold, and (B) any other toxic, radioactive, ignitable, corrosive, reactive or otherwise hazardous chemical, material, waste or substance.

(xxi) *Accurate Disclosure.* The statements in the Registration Statement, the General Disclosure Package and the Final Prospectus under the headings “Material U.S. Federal Income Tax Consequences to Non-U.S. Holders of Our Common Stock” and “Description of Capital Stock”, insofar as such statements summarize legal matters, agreements, documents or proceedings discussed therein, are accurate and fair summaries of such legal matters, agreements, documents or proceedings and present, in all material respects, the information required to be shown.

(xxii) *Absence of Manipulation.* The Company has not, and, to the knowledge of the Company after due inquiry, no one acting on behalf of the Company has, taken, directly or indirectly, any action that is designed, or would reasonably be expected, to cause or result in, or which constitutes, the stabilization or manipulation of the price of any security of the Company or to result in a violation of Regulation M under the Exchange Act.

(xxiii) *Statistical and Market-Related Data.* Any third-party statistical and market-related data included in a Registration Statement, a Statutory Prospectus, the General Disclosure Package, the Final Prospectus or any Written Testing-the-Waters Communication is based on or derived from sources that the Company believes to be reliable and accurate.

(xxiv) *Compliance with the Sarbanes-Oxley Act.* The Company has taken all necessary actions to ensure that, upon the effectiveness of the Registration Statement, it will be in compliance with all provisions of Sarbanes-Oxley that are then in effect and with which the Company is required to comply as of the effectiveness of the Registration Statement, and is actively taking steps to ensure that it will be in compliance with other provisions of the Sarbanes-Oxley Act not currently in effect, upon the effectiveness of such provisions, or which will become applicable to the Company at all times after the effectiveness of the Registration Statement.

(xxv) *Internal Controls.* The Company maintains a system of internal controls, including, but not limited to, disclosure controls and procedures, internal controls over accounting matters and financial reporting, an internal audit function and legal and regulatory compliance controls (collectively, “**Internal Controls**”) that comply with applicable Securities Laws and are sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management’s general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (“**GAAP**”) and to maintain accountability for assets, (iii) access to assets is permitted only in accordance with management’s general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any material differences. The Internal Controls are, or upon consummation of the offering of the Offered Securities will be, overseen by the Audit Committee (the “**Audit Committee**”) of the Company’s Board of Directors (the “**Board**”) in accordance with Exchange Rules. The Company has not publicly disclosed or reported to the Audit Committee or the Board, and within the next 135 days, the Company does not reasonably expect to publicly disclose or report to the Audit Committee or the Board, a “significant deficiency” or “material weakness” (each, as defined in Rule 12b-2 of the Exchange Act), a change in Internal Controls or fraud involving management or other employees who have a significant role in Internal Controls (each, an “**Internal Control Event**”), any violation of, or failure to comply with, the U.S. federal securities laws and the Exchange Rules, or any matter which, if determined adversely, would have a Material Adverse Effect.

(xxvi) *Absence of Accounting Issues.* A member of the Audit Committee has confirmed to the Chief Financial Officer or General Counsel of the Company that, except as set forth in the Registration Statement, the General Disclosure Package and the Final Prospectus, the Audit Committee is not conducting any investigation of any matter reported to it by its independent public accounting firm pursuant to Section 10A(b) under the Exchange Act.

(xxvii) *Litigation.* Except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, there are no pending actions, suits or proceedings (including any inquiries or investigations by any court or governmental agency or body, domestic or foreign) against or affecting the Company or any of its properties that, if determined adversely to the Company, would individually or in the aggregate have a Material Adverse Effect, or would materially and adversely affect its properties or assets or the ability of the Company to perform its obligations under this Agreement, or which are otherwise material in the context of the sale of the Offered Securities; and no such actions, suits or proceedings (including any inquiries or investigations by any court or governmental agency or body, domestic or foreign) are, to the knowledge of the Company, threatened or contemplated.

(xxviii) *Financial Statements.* The financial statements included in each Registration Statement and the General Disclosure Package and the Final Prospectus, together with the related schedules and notes, present fairly in all material respects the financial position of the Company as of the dates shown and their results of operations, stockholders' equity and cash flows for the periods shown, and, except as otherwise disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, such financial statements have been prepared in conformity in all material respects with GAAP applied on a consistent basis; and the assumptions used in preparing the pro forma financial statements included in each Registration Statement, the General Disclosure Package and the Final Prospectus provide a reasonable basis for presenting the significant effects directly attributable to the transactions or events described therein, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma columns therein reflect in all material respects the proper application of those adjustments to the corresponding historical financial statement amounts.

(xxix) *No Material Adverse Change in Business.* Except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, since the end of the period covered by the latest audited financial statements included in the Registration Statement, the General Disclosure Package and the Final Prospectus (i) there has been no change, nor any development or event involving a prospective change, in the condition (financial or otherwise), results of operations, business, properties or prospects of the Company that is material and adverse, (ii) except as disclosed in or contemplated by the Registration Statement, the General Disclosure Package and the Final Prospectus, there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock, (iii) except as disclosed in or contemplated by the General Disclosure Package and the Final Prospectus, there has been no material adverse change in the capital stock, short-term indebtedness, long-term indebtedness, net current assets or net assets of the Company, (iv) there has been no material transaction entered into and there is no material transaction that is probable of being entered into by the Company other than transactions in the ordinary course of business, (v) there has been no obligation, direct or contingent, that is material to the Company incurred by the Company, except obligations incurred in the ordinary course of business and (vi) the Company has not sustained any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority.

(xxx) *Investment Company Act.* The Company is not and, after giving effect to the offering and sale of the Offered Securities and the application of the proceeds thereof as described in the Registration Statement, the General Disclosure Package and the Final Prospectus, will not be required to register as an "investment company" as defined in the Investment Company Act of 1940, as amended (the "**Investment Company Act**").

(xxxi) *Ratings.* No "nationally recognized statistical rating organization" as such term is defined in Section 3(a)(62) of the Exchange Act (i) has imposed (or has informed the Company that it is considering imposing) any condition (financial or otherwise) on the Company's retaining any rating assigned to the Company or any securities of the Company or (ii) has indicated to the Company that it is considering any of the actions described in [Section 7\(c\)\(ii\)](#) hereof.

(xxxii) *Taxes.* The Company has filed all federal, state, local and foreign tax returns or extension related thereto required to be filed through the date of this Agreement and have paid all taxes required to be paid thereon (except as currently being contested in good faith and for which reserves required by GAAP have been created in the financial statements of the Company), and no material tax deficiency has been, or is reasonably be expected to be, asserted against the Company.

(xxxiii) *Insurance.* The Company is insured by insurers with appropriately rated claims paying abilities against such losses and risks and in such amounts as are prudent and customary for the businesses in which they are engaged; all policies of insurance and fidelity or surety bonds insuring the Company or its businesses, assets, employees, officers and directors are in full force and effect; the Company is in compliance with the terms of such policies and instruments in all material respects; and there are no claims by the Company under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause; the Company has not been refused any insurance coverage sought or applied for; the Company has no reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect, except as set forth in or contemplated in the Registration Statement, the General Disclosure Package and the Final Prospectus; and the Company will obtain directors' and officers' insurance in such amounts as is customary for an initial public offering.

(xxxiv) *No Unlawful Payments.* Neither the Company nor any director, officer or employee, nor, to the knowledge of the Company, affiliate, agent or other person acting on behalf of the Company or affiliates, has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) taken or will take any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any government official, including any officer or employee of a government or government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office ("**Governmental Official**") to influence official action or secure an improper advantage; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, or any applicable law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, or committed an offence under the Bribery Act 2010 of the United Kingdom or any other applicable anti-bribery or anti-corruption law; or (iv) made, offered, agreed, requested or taken an act in furtherance of any unlawful bribe or other unlawful benefit, including, without limitation, any rebate, payoff, influence payment, kickback or other unlawful or improper payment or benefit, to any Government Official or other person or entity. The Company and, to the knowledge of the Company, its affiliates, have conducted their businesses in compliance with applicable anti-corruption laws and have instituted and maintain and will continue to maintain policies and procedures designed to promote and achieve compliance with all applicable anti-bribery and anti-corruption laws and with the representation and warranty contained herein.

(xxxv) *Compliance with Anti-Money Laundering Laws.* The operations of the Company is and has been conducted at all times in compliance with all applicable financial recordkeeping and reporting requirements, including those of the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and the applicable anti-money laundering statutes of all jurisdictions where the Company conducts its business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental or regulatory agency (collectively, the "**Anti-Money Laundering Laws**"), and no action, suit or proceeding by or before any court or governmental or regulatory agency, authority or body or any arbitrator involving the Company with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(xxxvi) *Economic Sanctions.* Neither the Company nor any director, officer or employee, nor, to the knowledge of the Company, any agent, affiliate or representative of the Company, is an individual or entity (“**Person**”) that is, or is owned or controlled by a Person that is: the subject or target of any U.S. sanctions administered or enforced by the U.S. government (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State and including, without limitation, the designation as a “specially designated national” or “blocked person”), the United Nations Security Council, the European Union, Her Majesty’s Treasury, the Swiss Secretariat of Economic Affairs, the Hong Kong Monetary Authority, the Monetary Authority of Singapore, or other relevant sanctions authority (collectively, “**Sanctions**”), nor is the Company located, organized or resident in a country or territory that is the subject or target of Sanctions including, without limitation, Cuba, Iran, North Korea, Sudan, Syria and Crimea (each a “**Sanctioned Country**”); and the Company will not, directly or indirectly, use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person: (i) to fund or facilitate any activities or business of or with any Person or in any country or territory that, at the time of such funding or facilitation, is the subject or target of any Sanctions; (ii) to fund or facilitate any activities of or business in any Sanctioned Country or (iii) in any other manner that will result in a violation of Sanctions by any Person (including any Person participating in the offering, whether as underwriter, advisor, investor or otherwise). For the past five years, the Company has not knowingly engaged in, is not now knowingly engaged in, and will not engage in, any dealings or transactions with any Person, or in any country or territory, that at the time of the dealing or transaction is or was the subject or target of Sanctions.

(xxxvii) *Other Offerings.* The Company has not sold, issued or distributed any Securities during the six-month period preceding the date hereof, including any sales pursuant to Rule 144A under, or Regulation D or Regulation S of, the Act, other than Securities issued pursuant to: (a) the Company’s sale of shares of its Series H preferred stock, (b) employee benefit plans, (c) qualified stock option plans or other employee compensation plans or (d) outstanding options, rights or warrants.

(xxxviii) *Accuracy of Exhibits.* There are no contracts or documents which are required to be described in the Registration Statement, the General Disclosure Package or the Final Prospectus or to be filed as exhibits to the Registration Statement which have not been so described and filed as required.

(xxxix) *Lending Relationship.* Except as disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus, the Company (i) does not have any material lending or other relationship with any bank or lending affiliate of any Underwriter and (ii) does not intend to use any of the proceeds from the sale of the Securities to repay any outstanding debt owed to any affiliate of any Underwriter.

(xl) *Margin Rules.* The application of the proceeds received by the Company from the issuance, sale and delivery of the Offered Securities as described in the Registration Statement, the General Disclosure Package and the Final Prospectus will not violate Regulation T, U or X of the Board of Governors of the Federal Reserve System or any other regulation of such Board of Governors.

(xli) *Cybersecurity.* (i) There has been no material security breach or incident, unauthorized access or disclosure, or other compromise of or relating to the Company information technology and computer systems, networks, hardware, software, data and databases (including the data and information of their respective customers, employees, suppliers, vendors and any third party data maintained, processed or stored by the Company, and any such data processed or stored by third parties on behalf of the Company), equipment or technology (collectively, “**IT Systems and Data**”), (ii) the Company has not been notified of, and has no knowledge of, any event or condition that could result in, any material security breach or incident, unauthorized access or



disclosure or other compromise to their IT Systems and Data and (iii) the Company has implemented appropriate controls, policies, procedures, and technological safeguards to maintain and protect the integrity, continuous operation, redundancy and security of their IT Systems and Data reasonably consistent with industry standards and practices, or as required by applicable regulatory standards. The Company is presently in material compliance with all applicable laws or statutes and all judgments, orders, rules and regulations of any court or arbitrator or governmental or regulatory authority, internal policies and contractual obligations relating to the privacy and security of IT Systems and Data and to the protection of such IT Systems and Data from unauthorized use, access, misappropriation or modification.

3. *Purchase, Sale and Delivery of Offered Securities.* On the basis of the representations, warranties and agreements and subject to the terms and conditions set forth herein, the Company agrees to sell to the several Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company at a purchase price of \$[ ] per share, the number of Firm Securities set forth opposite the name of such Underwriter in Schedule A hereto.

The Company will deliver the Firm Securities to or as instructed by the Representatives for the accounts of the several Underwriters in a form reasonably acceptable to the Representatives, against payment of the purchase price by the Underwriters in Federal (same day) funds by wire transfer to an account at a bank acceptable to the Representatives and designated by the Company drawn to the order of the Company in the case of [ ] shares of Firm Securities at the office of Wilson Sonsini Goodrich & Rosati, Professional Corporation, at [ ] A.M., New York time, on [ ], or at such other time not later than seven full business days thereafter as the Representatives and the Company determine, such time being herein referred to as the “**First Closing Date**”. For purposes of Rule 15c6-1 under the Securities Exchange Act of 1934, the First Closing Date (if later than the otherwise applicable settlement date) shall be the settlement date for payment of funds and delivery of securities for all the Offered Securities sold pursuant to the offering. The Firm Securities so to be delivered or evidence of their issuance will be made available for checking at the above office of Wilson Sonsini Goodrich & Rosati, Professional Corporation at least 24 hours prior to the First Closing Date.

In addition, upon written notice from the Representatives given to the Company from time to time not more than 30 days subsequent to the date of the Final Prospectus, the Underwriters may purchase all or less than all of the Optional Securities at the purchase price per share to be paid for the Firm Securities less an amount per share equal to any dividends or distributions declared by the Company and payable on the Firm Securities but not payable on the Optional Securities. The Company agrees to sell to the Underwriters the number of shares of shares of Optional Securities specified in such notice and the Underwriters agree, severally and not jointly, to purchase such Optional Securities. Such Optional Securities shall be purchased from the Company for the account of each Underwriter in the same proportion as the number of shares of Firm Securities set forth opposite such Underwriter’s name bears to the total number of shares of Firm Securities (subject to adjustment by the Representatives to eliminate fractions) and may be purchased by the Underwriters only for the purpose of covering over-allotments made in connection with the sale of the Firm Securities. No Optional Securities shall be sold or delivered unless the Firm Securities previously have been, or simultaneously are, sold and delivered. The right to purchase the Optional Securities or any portion thereof may be exercised from time to time and to the extent not previously exercised may be surrendered and terminated at any time upon notice by the Representatives to the Company.

Each time for the delivery of and payment for the Optional Securities, being herein referred to as an “**Optional Closing Date**”, which may be the First Closing Date (the First Closing Date and each Optional Closing Date, if any, being sometimes referred to as a “**Closing Date**”), shall be determined by the Representatives but shall be not later than five full business days after written notice of election to purchase Optional Securities is given. The Company will deliver the Optional Securities being purchased on each Optional Closing Date to or as instructed by the Representatives for the accounts of the several Underwriters, in a form reasonably acceptable to the Representatives against payment of the purchase price therefore in Federal (same day) funds by wire transfer to an account at a bank acceptable to the Representatives and designated by the Company drawn to the order of the Company, at the above office of Wilson Sonsini Goodrich & Rosati, Professional Corporation. The Optional Securities being purchased on each Optional Closing Date or evidence of their issuance will be made available for checking at the above office of Wilson Sonsini Goodrich & Rosati, Professional Corporation at a reasonable time in advance of such Optional Closing Date.

4. *Offering by Underwriters.* It is understood that the several Underwriters propose to offer the Offered Securities for sale to the public as set forth in the Final Prospectus.

5. *Certain Agreements of the Company.* The Company agrees with the several Underwriters that:

(a) *Additional Filings.* Unless filed pursuant to Rule 462(c) as part of the Additional Registration Statement in accordance with the next sentence, the Company will file the Final Prospectus, in a form approved by the Representatives, with the Commission pursuant to and in accordance with subparagraph (1) (or, if applicable and if consented to by the Representatives, subparagraph (4)) of Rule 424(b) not later than the earlier of (A) the second business day following the execution and delivery of this Agreement or (B) the fifteenth business day after the Effective Time of the Initial Registration Statement. The Company will advise the Representatives promptly of any such filing pursuant to Rule 424(b) and provide satisfactory evidence to the Representatives of such timely filing. If an Additional Registration Statement is necessary to register a portion of the Offered Securities under the Act but the Effective Time thereof has not occurred as of the execution and delivery of this Agreement, the Company will file the Additional Registration Statement or, if filed, will file a post-effective amendment thereto with the Commission pursuant to and in accordance with Rule 462(b) on or prior to 10:00 P.M., New York time, on the date of this Agreement or, if earlier, on or prior to the time the Final Prospectus is finalized and distributed to any Underwriter, or will make such filing at such later date as shall have been consented to by the Representatives.

(b) *Filing of Amendments: Response to Commission Requests.* The Company will promptly advise the Representatives of any proposal to amend or supplement at any time the Initial Registration Statement, any Additional Registration Statement or any Statutory Prospectus and will not effect such amendment or supplementation without the Representatives' consent (which consent shall not be unreasonably withheld, conditioned or delayed); and the Company will also advise the Representatives promptly of (i) the effectiveness of any Additional Registration Statement (if its Effective Time is subsequent to the execution and delivery of this Agreement), (ii) any amendment or supplementation of a Registration Statement or any Statutory Prospectus, (iii) any request by the Commission or its staff for any amendment to any Registration Statement, for any supplement to any Statutory Prospectus or for any additional information, (iv) the institution by the Commission of any stop order proceedings in respect of a Registration Statement or the threatening of any proceeding for that purpose, and (v) the receipt by the Company of any notification with respect to the suspension of the qualification of the Offered Securities in any jurisdiction or the institution or threatening of any proceedings for such purpose. The Company will use its best efforts to prevent the issuance of any such stop order or the suspension of any such qualification and, if issued, to obtain as soon as possible the withdrawal thereof.

(c) *Continued Compliance with Securities Laws.* If, at any time when a prospectus relating to the Offered Securities is (or but for the exemption in Rule 172 would be) required to be delivered under the Act by any Underwriter or dealer, any event occurs as a result of which the Final Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary at any time to amend the Registration Statement or supplement the Final Prospectus to comply with the Act, the Company will promptly notify the Representatives of such event and will promptly prepare and file with the Commission and furnish, at its own expense, to the Underwriters and the dealers and any other dealers upon request of the Representatives, an amendment or supplement which will correct such statement or omission or an amendment which will effect such compliance. Neither the Representatives' consent to, nor the Underwriters' delivery of, any such amendment or supplement shall constitute a waiver of any of the conditions set forth in [Section 7](#) hereof.

(d) *Testing-the-Waters Communication.* If at any time following the distribution of any Written Testing-the-Waters Communication there occurred or occurs an event or development as a result of which such Written Testing-the-Waters Communication included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company will promptly notify the Representatives and will promptly amend or supplement, at its own expense, such Written Testing-the-Waters Communication to eliminate or correct such statement or omission.

(e) *Rule 158.* As soon as practicable, but not later than the Availability Date (as defined below), the Company will make generally available to its security holders an earnings statement covering a period of at least 12 months beginning after the Effective Time of the Initial Registration Statement (or, if later, the Effective Time of the Additional Registration Statement) which will satisfy the provisions of Section 11(a) of the Act and Rule 158 under the Act. For the purpose of the preceding sentence, “**Availability Date**” means the day after the end of the fourth fiscal quarter following the fiscal quarter that includes such Effective Time on which the Company is required to file its Form 10-Q for such fiscal quarter except that, if such fourth fiscal quarter is the last quarter of the Company’s fiscal year, “Availability Date” means the day after the end of such fourth fiscal quarter on which the Company is required to file its Form 10-K.

(f) *Furnishing of Prospectuses.* The Company will furnish to the Representatives copies of each Registration Statement (which will be signed and will include all exhibits), each related Statutory Prospectus, and, so long as a prospectus relating to the Offered Securities is (or but for the exemption in Rule 172 would be) required to be delivered under the Act, the Final Prospectus and all amendments and supplements to such documents, in each case in such quantities as the Representatives reasonably request. The Final Prospectus shall be so furnished on or prior to 3:00 P.M., New York time, on the business day following the execution and delivery of this Agreement. All other such documents shall be so furnished as soon as available. The Company will pay the expenses of printing and distributing to the Underwriters all such documents.

(g) *Blue Sky Qualifications.* The Company will arrange for the qualification of the Offered Securities for sale under the laws of such jurisdictions as the Representatives designate and will continue such qualifications in effect so long as required for the distribution; provided, however, that, the Company shall not be required to qualify or register as a foreign corporation in any jurisdiction in which it is not so qualified, file a general consent to service of process in any such jurisdiction or take any action that would subject it to taxation in any such jurisdiction where it is not presently subject to taxation.

(h) *Reporting Requirements.* During the period of five years hereafter, the Company will furnish to the Representatives and, upon request, to each of the other Underwriters, as soon as practicable after the end of each fiscal year, a copy of its annual report to stockholders for such year; and the Company will furnish to the Representatives (i) as soon as available, a copy of each report and any definitive proxy statement of the Company filed with the Commission under the Exchange Act or mailed to stockholders, and (ii) from time to time, such other information concerning the Company as the Representatives may reasonably request. However, so long as the Company is subject to the reporting requirements of either Section 13 or Section 15(d) of the Exchange Act and is timely filing reports with the Commission on its Electronic Data Gathering, Analysis and Retrieval system (or any successor system) (“**EDGAR**”), it is not required to furnish such reports or statements to the Underwriters.

(i) *Payment of Expenses.* The Company agrees with the several Underwriters that the Company will pay all expenses incident to the performance of the obligations of the Company under this Agreement, including but not limited to any filing fees and other expenses incurred in connection with qualification of the Offered Securities for sale under the laws of such jurisdictions as the Representatives designate and the preparation and printing of memoranda relating thereto, costs and

expenses related to the review by the Financial Industry Regulatory Authority, Inc. (“FINRA”) of the Offered Securities (including filing fees and the reasonable and documented fees and expenses of counsel for the Underwriters relating to such review, which fees and expenses shall not exceed \$40,000), costs and expenses of the Company relating to investor presentations or any “road show” in connection with the offering and sale of the Offered Securities and/or presentation involving a Written Testing-the-Waters Communication including, without limitation, any travel expenses solely of the Company’s officers and employees and any other expenses solely of the Company, including one-half of the cost of chartering of airplanes, fees and expenses incident to listing the Offered Securities on the New York Stock Exchange, American Stock Exchange, The Nasdaq Stock Market LLC and other national and foreign exchanges, fees and expenses in connection with the registration of the Offered Securities under the Exchange Act, any transfer taxes payable in connection with the delivery of the Offered Securities to the Underwriters and expenses incurred in distributing preliminary prospectuses and the Final Prospectus (including any amendments and supplements thereto) to the Underwriters and for expenses incurred for preparing, printing and distributing any Issuer Free Writing Prospectuses to investors or prospective investors. For the avoidance of doubt, and except as provided in this Section 5(i) and Section 8 and 10 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel and any road show expenses incurred by them (including the costs of venues and materials related thereto and one-half of the cost of chartering airplanes).

(j) *Use of Proceeds.* The Company will use the net proceeds received by it in connection with this offering in the manner described in the “Use of Proceeds” section of the General Disclosure Package and, except as disclosed in the General Disclosure Package and the Final Prospectus, the Company does not intend to use any of the proceeds from the sale of the Offered Securities hereunder to repay any outstanding debt owed to any Underwriter or affiliate of any Underwriter.

(k) *Absence of Manipulation.* The Company will not take, directly or indirectly, any action designed to or that would constitute or that would reasonably be expected to result in, stabilization or manipulation of the price of any securities of the Company to facilitate the sale or resale of the Offered Securities.

(l) (A) *Restriction on Sale of Securities by Company.* For the period specified below (the “**Lock-Up Period**”), the Company will not, directly or indirectly, take any of the following actions with respect to its Securities or any securities convertible into or exchangeable or exercisable for any of its Securities (“**Lock-Up Securities**”): (i) offer, sell, issue, contract to sell, pledge or otherwise dispose of Lock-Up Securities, (ii) offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase Lock-Up Securities, (iii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of Lock-Up Securities, (iv) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in Lock-Up Securities within the meaning of Section 16 of the Exchange Act or (v) file with the Commission a registration statement under the Act relating to Lock-Up Securities, or publicly disclose the intention to take any such action, without the prior written consent of the Representatives, except (a) issuances of Lock-Up Securities pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options, in each case outstanding on the date hereof and described in the prospectus, (b) the filing of a Registration Statement on Form S-8 relating to equity awards issued or issuable pursuant to plans described in the Registration Statement, the General Disclosure Package and the Final Prospectus and grants of employee stock options or other equity grants pursuant to the terms of a plan in effect on the date hereof and described in the prospectus or (c) issuances of Lock-Up Securities pursuant to the exercise of options or other equity grants described in clause (b) or the exercise of any other employee stock options or other equity grants outstanding on the date hereof. The Lock-Up Period will commence on the date hereof and continue for 180 days after the date hereof or such earlier date that the Representatives consent to in writing. The Company further agrees that it will not release any security holder from, or waive any provision of, any lock-up or similar agreement between the Company and any security holder without the prior written consent of the Representatives on behalf of the Underwriters.

(B) *Agreement to Announce Lock-up Waiver.* If the Representatives, in their sole discretion, agree to release or waive the restrictions set forth in a lock-up letter described in Section 7(h) hereof for an officer or director of the Company and provide the Company with notice of the impending release or waiver at least three business days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially in the form of Exhibit A hereto through a major news service at least two business days before the effective date of the release or waiver.

(m) *Emerging Growth Company Status.* The Company will promptly notify the Representatives if the Company ceases to be an Emerging Growth Company at any time prior to the later of (i) completion of the distribution of the Offered Securities within the meaning of the Act and (ii) completion of the Lock-Up Period.

6. *Free Writing Prospectuses.* The Company represents and agrees that, unless it obtains the prior consent of Credit Suisse, and each Underwriter represents and agrees that, unless it obtains the prior consent of the Company and the Representatives, it has not made and will not make any offer relating to the Offered Securities that would constitute an Issuer Free Writing Prospectus, or that would otherwise constitute a "free writing prospectus," as defined in Rule 405, required to be filed with the Commission. Any such free writing prospectus consented to by the Company and Credit Suisse is hereinafter referred to as a "**Permitted Free Writing Prospectus**." The Company represents that it has treated and agrees that it will treat each Permitted Free Writing Prospectus as an "issuer free writing prospectus," as defined in Rule 433, and has complied and will comply with the requirements of Rules 164 and 433 applicable to any Permitted Free Writing Prospectus, including timely Commission filing where required, legending and record keeping. The Company represents that it has satisfied and agrees that it will satisfy the conditions in Rule 433 to avoid a requirement to file with the Commission any electronic road show.

7. *Conditions of the Obligations of the Underwriters.* The obligations of the several Underwriters to purchase and pay for the Firm Securities on the First Closing Date and the Optional Securities to be purchased on each Optional Closing Date will be subject to the accuracy of the representations and warranties of the Company herein (as though made on such Closing Date), to the accuracy of the statements of Company officers made pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder and to the following additional conditions precedent:

(a) *Accountants' Comfort Letter.* The Representatives shall have received letters, dated, respectively, the date hereof and each Closing Date, of KPMG LLP confirming that they are a registered public accounting firm and independent public accountants within the meaning of the Securities Laws and in the form and substance satisfactory to the Representatives (except that, in any letter dated at Closing Date, the specified date referred to in the comfort letters shall be a date no more than three days prior to such Closing Date).

(b) *Effectiveness of Registration Statement.* If the Effective Time of the Additional Registration Statement (if any) is not prior to the execution and delivery of this Agreement, such Effective Time shall have occurred not later than 10:00 P.M., New York time, on the date of this Agreement or, if earlier, the time the Final Prospectus is finalized and distributed to any Underwriter, or shall have occurred at such later time as shall have been consented to by the Representatives. The Final Prospectus shall have been filed with the Commission in accordance with the Rules and Regulations and Section 5(a) hereof. Prior to such Closing Date, no stop order suspending the effectiveness of a Registration Statement shall have been issued and no proceedings for that purpose shall have been instituted or, to the knowledge of the Company or the Representatives, shall be contemplated by the Commission.

(c) *No Material Adverse Change.* Subsequent to the execution and delivery of this Agreement, there shall not have occurred (i) any change, or any development or event involving a prospective change, in the condition (financial or otherwise), results of operations, business, properties or prospects of the Company which, in the judgment of the Representatives, is material and adverse and makes it impractical or inadvisable to market the Offered Securities; (ii) any

downgrading in the rating of any debt securities or preferred stock of the Company by any “nationally recognized statistical rating organization” (as defined in Section 3(a)(62) of the Exchange Act), or any public announcement that any such organization has under surveillance or review its rating of any debt securities of the Company (other than an announcement with positive implications of a possible upgrading, and no implication of a possible downgrading, of such rating); (iii) any change in U.S. or international financial, political or economic conditions or currency exchange rates or exchange controls the effect of which is such as to make it, in the judgment of the Representatives, impractical to market or to enforce contracts for the sale of the Offered Securities, whether in the primary market or in respect of dealings in the secondary market; (iv) any suspension or material limitation of trading in securities generally on the New York Stock Exchange or the Nasdaq Stock Market, or any setting of minimum or maximum prices for trading on such exchange; (v) or any suspension of trading of any securities of the Company on any exchange or in the over-the-counter market; (vi) any banking moratorium declared by any U.S. federal or New York authorities; (vii) any major disruption of settlements of securities, payment or clearance services in the United States or any other country where such securities are listed or (viii) any attack on, outbreak or escalation of hostilities or act of terrorism involving the United States, any declaration of war by Congress or any other national or international calamity or emergency if, in the judgment of the Representatives, the effect of any such attack, outbreak, escalation, act, declaration, calamity or emergency is such as to make it impractical or inadvisable to market the Offered Securities or to enforce contracts for the sale of the Offered Securities.

(d) *Opinion and 10b-5 Statement of Counsel for the Company.* The Representatives shall have received an opinion and 10b-5 statement, dated such Closing Date, of Sidley Austin LLP, counsel for the Company, in form and substance reasonably acceptable to the Representatives.

(e) *Opinion and 10b-5 Statement of Counsel for Underwriters.* The Representatives shall have received from Wilson Sonsini Goodrich & Rosati, Professional Corporation, counsel for the Underwriters, such opinion or opinions and 10b-5 statement, dated such Closing Date, with respect to such matters as the Representatives may require, and the Company shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(f) *Officers' Certificate.* The Representatives shall have received a certificate, dated such Closing Date, of an executive officer of the Company and a principal financial or accounting officer of the Company in which such officers shall state that: the representations and warranties of the Company in this Agreement are true and correct; the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to such Closing Date; no stop order suspending the effectiveness of any Registration Statement has been issued and no proceedings for that purpose have been instituted or, to the best of their knowledge and after reasonable investigation, are contemplated by the Commission; the Additional Registration Statement (if any) satisfying the requirements of subparagraphs (1) and (3) of Rule 462(b) was timely filed pursuant to Rule 462(b), including payment of the applicable filing fee in accordance with Rule 456(a) or (b); and, subsequent to the date of the most recent financial statements in the General Disclosure Package and the Final Prospectus, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the condition (financial or otherwise), results of operations, business, properties or prospects of the Company except as set forth in the General Disclosure Package and the Final Prospectus or as described in such certificate.

(g) *Lock-Up Agreements.* On or prior to the date hereof, the Representatives shall have received lockup agreements in the form set forth on Exhibit B hereto from each executive officer, director and from holders of at least [ ] % of the equity securities of the Company.

(h) *CFO Certificate.* The Representatives shall have received on and as of such Closing Date a certificate, in form and substance reasonably satisfactory to Representatives, signed by the chief financial officer of the Company.

(i) *FinCEN Certificate*. On or before the date of this Agreement, the Representatives shall have received a certificate satisfying the beneficial ownership due diligence requirements of the Financial Crimes Enforcement Network (“FinCEN”) from the Company in form and substance reasonably satisfactory to the Representatives, along with such additional supporting documentation as the Representatives have requested in connection with the verification of the foregoing certificate.

The Company will furnish the Representatives with such conformed copies of such opinions, certificates, letters and documents as the Representatives reasonably request. The Representatives may in their sole discretion waive on behalf of the Underwriters compliance with any conditions to the obligations of the Underwriters hereunder, whether in respect of an Optional Closing Date or otherwise.

8. *Indemnification and Contribution*. (a) *Indemnification of Underwriters by the Company*. The Company will indemnify and hold harmless each Underwriter, its partners, members, directors, officers, employees, agents, affiliates and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act (each an “**Indemnified Party**”), against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Party may become subject, under the Act, the Exchange Act, other Federal or state statutory law or regulation or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) (i) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any part of any Registration Statement at any time, any Statutory Prospectus as of any time, the Final Prospectus, any Issuer Free Writing Prospectus or any Written Testing-the-Waters Communication, or (ii) arise out of or are based upon the omission or alleged omission of a material fact required to be stated therein or would be necessary to make the statements therein not misleading, and will reimburse each Indemnified Party for any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending against any loss, claim, damage, liability, action, litigation, investigation or proceeding whatsoever (whether or not such Indemnified Party is a party thereto), whether threatened or commenced, and in connection with the enforcement of this provision with respect to any of the above as such expenses are incurred; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement in or omission or alleged omission from any of such documents in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in subsection (b) below.

(b) *Indemnification of the Company by the Underwriters*. Each Underwriter will severally and not jointly indemnify and hold harmless the Company, each of its directors and each of its officers who signs a Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act (each, an “**Underwriter Indemnified Party**”), against any losses, claims, damages or liabilities to which such Underwriter Indemnified Party may become subject, under the Act, the Exchange Act, or other Federal or state statutory law or regulation or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) (i) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any part of any Registration Statement at any time, any Statutory Prospectus as of any time, the Final Prospectus, any Written Testing-the-Waters Communication or any Issuer Free Writing Prospectus or (ii) arise out of or are based upon the omission or the alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such Underwriter through the Representatives specifically for use therein, and will reimburse any legal or other expenses reasonably incurred by such Underwriter Indemnified Party in connection with investigating or defending against any such loss, claim, damage, liability, action, litigation, investigation or proceeding whatsoever (whether or not such Underwriter Indemnified Party is a party thereto), whether threatened or commenced, based upon any such untrue statement or omission, or any such alleged untrue statement or omission as such expenses are incurred, it being understood and agreed that the only such information furnished by any Underwriter consists of the following information in the Final Prospectus furnished on behalf of each Underwriter: (i) the concession and reallocation figures appearing in the fifth paragraph under the caption “Underwriting;” (ii) the information contained in the fifteenth paragraph and related bullets under the caption “Underwriting;” and (iii) the information contained in the sixteenth paragraph under the caption “Underwriting”.

(c) *Actions against Parties; Notification.* Promptly after receipt by an indemnified party under this Section of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under subsection (a) or (b) above, notify the indemnifying party of the commencement thereof; but the failure to notify the indemnifying party shall not relieve it from any liability that it may have under subsection (a) or (b) above except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided further that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under subsection (a) or (b) above. In case any such action is brought against any indemnified party and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section 8(c) for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement (i) includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an indemnified party.

(d) *Contribution.* If the indemnification provided for in this Section is unavailable or insufficient to hold harmless an indemnified party under subsection (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a) or (b) above (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Offered Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d). Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Offered Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 8(d).



9. *Default of Underwriters.* If any Underwriter or Underwriters default in their obligations to purchase Offered Securities hereunder on either the First Closing Date or any Optional Closing Date and the aggregate number of shares of Offered Securities that such defaulting Underwriter or Underwriters agreed but failed to purchase does not exceed 10% of the total number of shares of Offered Securities that the Underwriters are obligated to purchase on such Closing Date, the Representatives shall make arrangements satisfactory to the Company for the purchase of such Offered Securities by other persons, including any of the Underwriters, but if no such arrangements are made by such Closing Date, the non-defaulting Underwriters shall be obligated severally, in proportion to their respective commitments hereunder, to purchase the Offered Securities that such defaulting Underwriters agreed but failed to purchase on such Closing Date. If any Underwriter or Underwriters so default and the aggregate number of shares of Offered Securities with respect to which such default or defaults occur exceeds 10% of the total number of shares of Offered Securities that the Underwriters are obligated to purchase on such Closing Date and arrangements satisfactory to the Representatives and the Company for the purchase of such Offered Securities by other persons are not made within 36 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Underwriter or the Company, except as provided in [Section 10](#) (provided that if such default occurs with respect to Optional Securities after the First Closing Date, this Agreement will not terminate as to the Firm Securities or any Optional Securities purchased prior to such termination). As used in this Agreement, the term "Underwriter" includes any person substituted for an Underwriter under this Section. Nothing herein will relieve a defaulting Underwriter from liability for its default.

10. *Termination.* The Underwriters may terminate this Agreement by notice given by the Representatives to the Company, if after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on, or by, as the case may be, The Nasdaq Global Select Market, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a material disruption in securities settlement, payment or clearance services in the United States shall have occurred, (iv) any moratorium on commercial banking activities shall have been declared by Federal or New York State authorities or (v) there shall have occurred any outbreak or escalation of hostilities, or any change in financial markets or any calamity or crisis that, in the judgment of the Representatives, is material and adverse and which, singly or together with any other event specified in this clause (v), makes it, in the judgment of the Representatives, impracticable or inadvisable to proceed with the offer, sale or delivery of the Shares on the terms and in the manner contemplated in the Registration Statement, the General Disclosure Package or the Final Prospectus.

11. *Survival of Certain Representations and Obligations.* The respective indemnities, agreements, representations, warranties and other statements of the Company or its officers and of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of any Underwriter, the Company or any of their respective representatives, officers or directors or any controlling person, and will survive delivery of and payment for the Offered Securities. If the purchase of the Offered Securities by the Underwriters is not consummated for any reason other than solely because of the termination of this Agreement pursuant to [Section 10](#) hereof, the Company will reimburse the Underwriters for all documented out-of-pocket expenses (including documented fees and disbursements of counsel) reasonably incurred by them in connection with the offering of the Offered Securities, and the respective obligations of the Company and the Underwriters pursuant to [Section 8](#) hereof shall remain in effect. In addition, if any Offered Securities have been purchased hereunder, the representations and warranties in [Section 2](#) and all obligations under [Section 5](#) shall also remain in effect.

12. *Notices.* All communications hereunder will be in writing and, if sent to the Underwriters, will be mailed, delivered or telegraphed and confirmed to the Representatives, c/o Credit Suisse Securities (USA) LLC, Eleven Madison Avenue, New York, N.Y. 10010-3629, Attention: LCD-IBD, c/o Merrill Lynch, Pierce, Fenner & Smith Incorporated, One Bryant Park, New York, New York 10036, Facsimile: (646) 855-3073, Attention: Syndicate Department, with a copy to: Facsimile: (212) 230-8730, Attention: ECM Legal or c/o UBS Securities LLC, 1285 Avenue of the Americas, New York, New York 10019, Attention: Syndicate or, if sent to the Company, will be mailed, delivered or telegraphed and confirmed to it at 55 Francisco Street, Suite 600, San Francisco, California 94133, Attention: General Counsel; provided, however, that any notice to an Underwriter pursuant to [Section 8](#) will be mailed, delivered or telegraphed and confirmed to such Underwriter.

13. *Successors.* This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective personal representatives and successors and the officers and directors and controlling persons referred to in Section 7, and no other person will have any right or obligation hereunder.

14. *Representation of Underwriters.* The Representatives will act for the several Underwriters in connection with the transactions contemplated by this Agreement, and any action under this Agreement taken by the Representatives jointly or by Credit Suisse will be binding upon all the Underwriters.

15. *Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

16. *Absence of Fiduciary Relationship.* The Company acknowledges and agrees that:

(a) *No Other Relationship.* The Representatives have been retained solely to act as underwriters in connection with the sale of the Offered Securities and that no fiduciary, advisory or agency relationship between the Company, on the one hand, and the Representatives, on the other, has been created in respect of any of the transactions contemplated by this Agreement or the Final Prospectus, irrespective of whether the Representatives have advised or are advising the Company on other matters;

(b) *Arms' Length Negotiations.* The price of the Offered Securities set forth in this Agreement was established by Company following discussions and arms-length negotiations with the Representatives and the Company is capable of evaluating and understanding and understand and accept the terms, risks and conditions of the transactions contemplated by this Agreement;

(c) *Absence of Obligation to Disclose.* The Company has been advised that the Representatives and their affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Company and that the Representatives have no obligation to disclose such interests and transactions to the Company by virtue of any fiduciary, advisory or agency relationship; and

(d) *Waiver.* The Company waives, to the fullest extent permitted by law, any claims they may have against the Representatives for breach of fiduciary duty or alleged breach of fiduciary duty and agree that the Representatives shall have no liability (whether direct or indirect) to the Company in respect of such a fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Company, including stockholders, employees or creditors of the Company.

17. ***Applicable Law.*** This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

The Company hereby submits to the non-exclusive jurisdiction of the Federal and state courts in the Borough of Manhattan in The City of New York in any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby. The Company irrevocably and unconditionally waives any objection to the laying of venue of any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby in Federal and state courts in the Borough of Manhattan in the City of New York and irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such suit or proceeding in any such court has been brought in an inconvenient forum.

18. *Recognition of the U.S. Special Resolution Regimes.*

(a) In the event that any Underwriter that is a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from such Underwriter of this Agreement, and any

interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(b) In the event that any Underwriter that is a Covered Entity or a BHC Act Affiliate of such Underwriter becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under this Agreement that may be exercised against such Underwriter are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States.

For purposes of this Section 18, a “BHC Act Affiliate” has the meaning assigned to the term “affiliate” in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k). “Covered Entity” means any of the following: (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b). “Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable. “U.S. Special Resolution Regime” means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

19. *Waiver of Jury Trial.* The Company hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

If the foregoing is in accordance with the Representatives' understanding of our agreement, kindly sign and return to the Company one of the counterparts hereof, whereupon it will become a binding agreement among the Company and the several Underwriters in accordance with its terms.

Very truly yours,

THE REALREAL, INC.

By \_\_\_\_\_  
Name:  
Title:

The foregoing Underwriting Agreement is hereby confirmed and accepted as of the date first above written.

Acting on behalf of themselves and as the Representatives of the several Underwriters.

By CREDIT SUISSE SECURITIES (USA) LLC

By: \_\_\_\_\_  
Name:  
Title:

By BOFA SECURITIES, INC.

By: \_\_\_\_\_  
Name:  
Title:

By UBS SECURITIES LLC

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

SCHEDULE A

<u>Underwriter</u>	<u>Total Number of Firm Securities to be Purchased</u>
Credit Suisse Securities (USA) LLC	
BofA Securities, Inc	
UBS Securities LLC	
KeyBanc Capital Markets Inc	
Stifel, Nicolaus & Company	
Cowen and Company, LLC	
Raymond James & Associates, Inc	
Total	

**SCHEDULE B**

The following information is also included in the General Disclosure Package:

1. The initial price to the public of the Offered Securities: [       ]
2. Number of Offered Securities: [       ]

Form of Press Release

[Company]  
[Date]

[Company] (the "[Company]") announced today that Credit Suisse, BofA Merrill Lynch and UBS Investment Bank, the lead book-running managers in the Company's recent public sale of \_\_\_\_\_ shares of common stock, are [waiving] [releasing] a lock-up restriction with respect to \_\_\_\_\_ shares of the Company's common stock held by [certain officers or directors] [an officer or director] of the Company. The [waiver] [release] will take effect on \_\_\_\_\_, 20\_\_\_\_, and the shares may be sold on or after such date.

**This press release is not an offer for sale of the securities in the United States or in any other jurisdiction where such offer is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended.**

Form of Lock-Up Agreement

[Insert date]

The RealReal, Inc.  
55 Francisco Street, Suite 600  
San Francisco, California 94133

Credit Suisse Securities (USA) LLC  
Merrill Lynch, Pierce, Fenner & Smith  
Incorporated

c/o Credit Suisse Securities (USA) LLC  
Eleven Madison Avenue  
New York, New York 10010-3629

c/o Merrill Lynch, Pierce, Fenner & Smith  
Incorporated  
One Bryant Park  
New York, New York 10036

Ladies and Gentlemen:

As an inducement to the underwriters to execute the Underwriting Agreement (the "**Underwriting Agreement**"), pursuant to which an offering (the "**Offering**") will be made that is intended to result in the establishment of a public market for the Common Stock, par value \$0.00001, of The RealReal, Inc. (the "**Securities**"), and any successor (by merger or otherwise) thereto, (the "**Company**"), the undersigned hereby agrees that during the period specified in the following paragraph (the "**Lock-Up Period**"), the undersigned will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any Securities or securities convertible into or exchangeable or exercisable for any Securities, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Securities, whether any such aforementioned transaction is to be settled by delivery of the Securities or such other securities, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition, or to enter into any such transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "**Representatives**"). In addition, the undersigned agrees that, without the prior written consent of the Representatives, it will not, during the Lock-Up Period, make any demand for or exercise any right with respect to, the registration of any Securities or any security convertible into or exercisable or exchangeable for the Securities.

The Lock-Up Period will commence on the date of this Lock-Up Agreement and continue and include the date that is 180 days after the public offering date set forth on the final prospectus used to sell the Securities (the "**Public Offering Date**") pursuant to the Underwriting Agreement.

Any Securities received upon exercise of options granted to the undersigned will also be subject to this Lock-Up Agreement. Any Securities acquired by the undersigned in the open market will not be subject to this Lock-Up Agreement. Additionally, the restrictions in this Lock-Up Agreement shall not



apply to (a) any exercise of options or vesting or exercise of any other equity-based award and the settlement thereof, in each case, outstanding on the Public Offering Date, and in each case under the Company's equity incentive plan or any other plan or agreement described in the prospectus included in the Registration Statement, provided that any Securities received upon such exercise or vesting will also be subject to this Lock-Up Agreement, (b) the disposition of Securities, or withholding of Securities by the Company, in a transaction exempt from Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") solely to the extent required for the payment of taxes due with respect to the settlement of Securities described in clause (a), provided that any underlying equity securities of the Company shall continue to be subject to this Lock-Up Agreement, (c) if the undersigned is an individual, transfers as bona fide gifts or gifts, (d) transfers by testate or intestate succession, (e) if the undersigned is a partnership, limited liability company or a corporation, transfers to its limited partners, members or stockholders as part of a distribution or to any corporation, partnership or other entity that is an affiliate, (f) to the extent applicable, if the undersigned is an individual, transfers to the Company, if required by the terms of such individual's employment or termination thereof, or (g) any transfer of Securities to a family member, trust, family limited partnership or family limited liability company for the direct or indirect benefit of the undersigned or his or her family members; provided that in each transfer pursuant to clauses (c) through (g), the transferee agrees to be bound in writing by the terms of this Lock-Up Agreement prior to such transfer, such transfer shall not involve a disposition for value and no filing by any party (donor, donee, transferor or transferee) under the Exchange Act shall be required or shall be voluntarily made in connection with such transfer (other than a filing on a Form 5 made after the expiration of the Lock-Up Period). For purposes of this Lock-Up Agreement, a "family member" shall mean any relationship by blood, marriage, domestic partnership or adoption, not more remote than first cousin.

Notwithstanding anything herein to the contrary, the undersigned may enter into a written trading plan established pursuant to Rule 10b5-1 of the Exchange Act during the Lock-Up Period; *provided* that no direct or indirect offers, pledges, sales, contracts to sell, sales of any option or contract to purchase, purchases of any option or contract to sell, grants of any option, right or warrant to purchase, loans, or other transfers or disposals of any Securities or any securities convertible into or exercisable or exchangeable for Securities may be effected pursuant to such plan during the Lock-Up Period; and *provided* that no public announcement or filing under the Exchange Act regarding the establishment of such plan shall be required of or voluntarily made by or on behalf of the undersigned or the Company during the Lock-Up Period.

The restrictions contained herein shall not apply to any transfers, sales, tenders or other dispositions of the Securities or any security convertible into or exercisable or exchangeable for the Securities pursuant to a bona fide third-party tender offer, merger, amalgamation, consolidation or other similar transaction made to or involving holders of the Securities or any security convertible into or exercisable or exchangeable for the Securities pursuant to which at least majority voting power of the Company is transferred to such third party (including, without limitation, the entering into any lock-up, voting or similar agreement pursuant to which the undersigned may agree to transfer, sell, tender or otherwise dispose of the Securities or any security convertible into or exercisable or exchangeable for the Securities in connection with such transaction, or vote any Securities or any security convertible into or exercisable or exchangeable for the Securities in favor of any such transaction); provided, that if such bona fide third-party tender offer, merger, amalgamation, consolidation or other similar transaction is not completed, any Securities or any security convertible into or exercisable or exchangeable for Securities subject to this Lock-Up Agreement shall remain subject to the restrictions contained in this Lock-Up Agreement.

In furtherance of the foregoing, the Company and its transfer agent and registrar are hereby authorized to decline to make any transfer of Securities if such transfer would constitute a violation or breach of this Lock-Up Agreement.

If the undersigned is an officer or director of the Company, the undersigned further agrees that the foregoing restrictions in this Lock-Up Agreement shall be equally applicable to any issuer-directed Securities the undersigned may purchase in the above-referenced offering.

If the undersigned is an officer or director of the Company, (i) the Representatives agree that, at least three business days before the effective date of any release or waiver of the foregoing restrictions in connection with a transfer of Securities, the Representatives will notify the Company of the impending release or waiver, and (ii) the Company has agreed in the Underwriting Agreement to announce the impending release or waiver by press release through a major news service at least two business days before the effective date of the release or waiver. Any release or waiver granted by the Representatives hereunder to any such officer or director shall only be effective two business days after the publication date of such press release. The provisions of this paragraph will not apply if (a) the release or waiver is effected solely to permit a transfer not for consideration and (b) the transferee has agreed in writing to be bound by the same terms described in this Lock-Up Agreement to the extent and for the duration that such terms remain in effect at the time of the transfer.

This Lock-Up Agreement and related restrictions shall automatically terminate and become null and void upon the earliest to occur, if any, of (i) the Representatives, on behalf of the Underwriters, on the one hand, or the Company on the other hand, advising the other in writing that they have or it has determined not to proceed with the Offering, (ii) the Registration Statement with respect to the Offering is withdrawn, (iii) the termination of the Underwriting Agreement (other than the provisions thereof which survive termination) prior to the initial closing date of the sale of the Securities to be sold thereunder or (iv) if the Public Offering Date shall not have occurred on or before October 1, 2019.

This Lock-Up Agreement shall be binding on the undersigned and the successors, heirs, personal representatives and assigns of the undersigned. **This agreement shall be governed by, and construed in accordance with, the laws of the State of New York.**

*[Signature page follows]*

Very truly yours,

**IF AN INDIVIDUAL:**

By: \_\_\_\_\_  
*(duly authorized signature)*

Name: \_\_\_\_\_  
*(please print full name)*

Address:

**IF AN ENTITY:**

\_\_\_\_\_  
*(please print complete name of entity)*

By: \_\_\_\_\_  
*(duly authorized signature)*

Name: \_\_\_\_\_  
*(please print full name)*

Address:

**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION  
OF  
THE REALREAL, INC.,**

a Delaware corporation

The RealReal, Inc., a corporation organized and existing under the laws of the State of Delaware (the "**Corporation**"), hereby certifies as follows:

A. The name of the Corporation is The RealReal, Inc. The Corporation was originally incorporated under the name TheRealReal, Inc. The Corporation's original certificate of incorporation was filed with the office of the Secretary of State of the State of Delaware on March 29, 2011.

B. This amended and restated certificate of incorporation was duly adopted in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware, as amended (the "**DGCL**"), restates and amends the provisions of the Corporation's certificate of incorporation and has been duly approved by the written consent of the stockholders of the Corporation in accordance with Section 228 of the DGCL.

C. The text of the certificate of incorporation of this Corporation is hereby amended and restated to read in its entirety as follows:

**ARTICLE I  
NAME**

The name of the Corporation is The RealReal, Inc.

**ARTICLE II  
REGISTERED OFFICE**

The address of the Corporation's registered office in the State of Delaware is 160 Greentree Drive, Suite 101, City of Dover, County of Kent, 19904. The name of its registered agent at such address is National Registered Agents, Inc.

**ARTICLE III  
PURPOSE**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

**ARTICLE IV**  
**CAPITAL STOCK**

4.1 Authorized Capital Stock. The total number of shares of all classes of capital stock that the Corporation is authorized to issue is 550,000,000 shares, consisting of 500,000,000 shares of common stock, par value \$0.00001 per share ("**Common Stock**"), and 50,000,000 shares of preferred stock, par value \$0.00001 per share ("**Preferred Stock**").

4.2 Increase or Decrease in Authorized Capital Stock. The number of authorized shares of Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote generally in the election of directors, irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), voting together as a single class, without a separate vote of the holders of the class or classes the number of authorized shares of which are being increased or decreased, unless a vote by any holders of one or more series of Preferred Stock is required by the express terms of any series of Preferred Stock as provided for or fixed pursuant to the provisions of Section 4.4 of this Certificate of Incorporation (as defined below).

4.3 Common Stock.

(a) The holders of shares of Common Stock shall be entitled to one vote for each such share on each matter properly submitted to the stockholders of the Corporation on which the holders of shares of Common Stock are entitled to vote. The holders of shares of Common Stock shall not have cumulative voting rights. Except as otherwise required by law or this amended and restated certificate of incorporation of the Corporation (as further amended from time to time in accordance with the provisions hereof and including, without limitation, the terms of any certificate of designation with respect to any series of Preferred Stock, this "**Certificate of Incorporation**"), and subject to the rights of the holders of shares of Preferred Stock, if any, at any annual or special meeting of the stockholders of the Corporation, the holders of shares of Common Stock shall have the right to vote for the election of directors of the Corporation and on all other matters properly submitted to the stockholders of the Corporation for their vote; provided, however, that, except as otherwise required by law, holders of shares of Common Stock shall not be entitled to vote on any amendment to this Certificate of Incorporation that relates solely to the terms, number of shares, powers, designations, preferences or relative, participating, optional or other special rights (including, without limitation, voting rights), or to qualifications, limitations or restrictions thereof, of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Certificate of Incorporation or pursuant to the DGCL.

(b) Subject to the rights of the holders of shares of Preferred Stock, the holders of shares of Common Stock shall be entitled to receive such dividends and other distributions (payable in cash, property or capital stock of the Corporation) when, as and if declared thereon by the board of directors of the Corporation (the "**Board**") from time to time out of any assets or funds of the Corporation legally available therefor and shall share equally on a per share basis in such dividends and distributions.

(c) In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation, and subject to the rights of the holders of shares of Preferred Stock in respect thereof, the holders of shares of Common Stock shall be entitled to receive all of the remaining assets of the Corporation available for distribution to its stockholders, ratably in proportion to the number of shares of Common Stock held by them.

#### 4.4 Preferred Stock.

(a) The Board is expressly authorized to issue from time to time shares of Preferred Stock in one or more series pursuant to a resolution or resolutions providing for such issue duly adopted by the Board. The Board is further authorized, subject to limitations prescribed by law, to fix by resolution or resolutions and to set forth in a certification of designation filed pursuant to the DGCL the powers, designations, preferences and relative, participating, optional or other special rights, if any, and the qualifications, limitations or restrictions thereof, if any, of any wholly unissued series of Preferred Stock, including, without limitation, dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including, without limitation, sinking fund provisions), redemption price or prices and liquidation preferences of any such series, and the number of shares constituting any such series and the designation thereof, or any of the foregoing.

(b) The Board is further authorized to increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares of any such series then outstanding) the number of shares of any series of Preferred Stock, the number of which was fixed by it, subsequent to the issuance of shares of such series then outstanding, subject to the powers, preferences and rights, and the qualifications, limitations and restrictions thereof, stated in this Certificate of Incorporation or the resolution of the Board originally fixing the number of shares of such series. If the number of shares of any series of Preferred Stock is so decreased, then the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

### ARTICLE V **BOARD OF DIRECTORS**

5.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board.

5.2 Number of Directors; Election; Term.

(a) The number of directors that shall constitute the entire Board shall be fixed from time to time exclusively by the Board in accordance with the bylaws of the Corporation (as amended from time to time in accordance with the provisions hereof, the "**Bylaws**"), subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, if any.

(b) Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, the directors of the Corporation shall be divided into three classes as nearly equal in number as is practicable, hereby designated Class I, Class II and Class III. The Board is

authorized to assign members of the Board already in office to such classes. The term of office of the initial Class I directors shall expire upon the election of directors at the first annual meeting of stockholders following the effectiveness of this Article V; the term of office of the initial Class II directors shall expire upon the election of directors at the second annual meeting of stockholders following the effectiveness of this Article V; and the term of office of the initial Class III directors shall expire upon the election of directors at the third annual meeting of stockholders following the effectiveness of this Article V. At each annual meeting of stockholders, commencing with the first annual meeting of stockholders following the effectiveness of this Article V, each of the successors elected to replace the directors of a class whose term shall have expired at such annual meeting shall be elected to hold office until the third annual meeting next succeeding his or her election and until his or her respective successor shall have been duly elected and qualified. Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, if the number of directors that constitutes the Board is changed, any newly created directorships or decrease in directorships shall be so apportioned by the Board among the classes as to make all classes as nearly equal in number as is practicable, provided that no decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

(c) Notwithstanding the foregoing provisions of this Section 5.2, and subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, each director shall serve until such director's successor is duly elected and qualified or until such director's earlier death, resignation or removal.

(d) Elections of directors need not be by written ballot unless the Bylaws shall so provide.

(e) Notwithstanding any of the other provisions of this Article V, whenever the holders of any one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately by series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of the certificate of designation for such series of Preferred Stock, and such directors so elected shall not be divided into classes pursuant to this Article V unless expressly provided by such terms. During any period when the holders of any series of Preferred Stock have the right to elect additional directors as provided for or fixed pursuant to the provisions of this Article V, then upon commencement and for the duration of the period during which such right continues; (i) the then otherwise total authorized number of directors of the Corporation shall automatically be increased by such specified number of directors, and the holders of such Preferred Stock shall be entitled to elect the additional directors so provided for or fixed pursuant to such provisions, and (ii) each such additional director shall serve until such director's successor shall have been duly elected and qualified, or until such director's right to hold such office terminates pursuant to such provisions, whichever occurs earlier, subject to such director's earlier death, resignation or removal. Except as otherwise provided by the Board in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Stock having such right to elect additional directors are divested of such right pursuant to the provisions of such series of stock, the terms of office of all such additional directors elected by the holders of such stock, or elected to fill any vacancies resulting from the death, resignation or removal of such additional directors, shall forthwith terminate, and the total authorized number of directors of the Corporation shall be reduced accordingly.

5.3 Removal. Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, a director may be removed from office by the stockholders of the Corporation only for cause.

5.4 Vacancies and Newly Created Directorships. Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, vacancies occurring on the Board for any reason and newly created directorships resulting from an increase in the number of directors shall be filled only by vote of a majority of the remaining members of the Board, although less than a quorum, or by a sole remaining director, and not by the stockholders. A person so elected by the Board to fill a vacancy or newly created directorship shall hold office until the next election of the class for which such person shall have been assigned by the Board and until such person's successor shall be duly elected and qualified or until such director's earlier death, resignation or removal.

#### **ARTICLE VI AMENDMENT OF BYLAWS**

In furtherance and not in limitation of the powers conferred by statute, the Board is expressly authorized to adopt, amend, alter or repeal the Bylaws. The Bylaws may also be adopted, amended, altered or repealed by the stockholders of the Corporation by the affirmative vote of the holders of at least a majority of the voting power of all then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class; provided, however, that, in the case of any adoption, amendment, alteration or repeal of the Bylaws by the stockholders of the Corporation, notwithstanding any other provision of the Bylaws, and in addition to any other vote that may be required by law or the terms of any series of preferred stock, the affirmative vote of the holders of at least sixty six and two-thirds percent (66 2/3%) of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, alter, repeal or adopt any provision inconsistent with Sections 1.3, 1.7(b), 1.11, 1.13, 1.16, 1.17, 2.1, 2.8, 2.9, 2.10, 2.13 or 2.14 or Article VI of the Bylaws.

#### **ARTICLE VII STOCKHOLDERS**

7.1 No Action by Written Consent of Stockholders. Except as otherwise expressly provided by the terms of any series of Preferred Stock permitting the holders of such series of Preferred Stock to act by written consent, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of the stockholders of the Corporation and may not be effected by written consent in lieu of a meeting.

7.2 Special Meetings. Except as otherwise expressly provided by the terms of any series of Preferred Stock permitting the holders of such series of Preferred Stock to call a special meeting of the holders of such series, special meetings of the stockholders of the Corporation may be called only by the chairperson of the Board, the chief executive officer of the Corporation or the Board, and the ability of the stockholders to call a special meeting of the stockholders is hereby specifically denied.



7.3 Advance Notice. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws.

**ARTICLE VIII**  
**LIMITATION OF LIABILITY AND INDEMNIFICATION**

8.1 Limitation of Personal Liability. No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL, as it presently exists or may hereafter be amended from time to time. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

8.2 Indemnification and Advancement of Expenses. The Corporation shall indemnify its directors and officers to the fullest extent authorized or permitted by the DGCL, as now or hereafter in effect, and such right to indemnification shall continue as to a person who has ceased to be a director or officer of the Corporation and shall inure to the benefit of such person's heirs, executors and personal and legal representatives. A director's or officer's right to indemnification conferred by this Section 8.2 shall include the right to be paid by the Corporation the expenses incurred in defending or otherwise participating in any proceeding in advance of its final disposition, provided that such director or officer presents to the Corporation a written undertaking to repay such amount if it shall ultimately be determined that such director or officer is not entitled to be indemnified by the Corporation under this Article VIII or otherwise. Notwithstanding the foregoing, except for proceedings to enforce any director's or officer's rights to indemnification or rights to advancement of expenses, the Corporation shall not be obligated to indemnify any director or officer, or advance expenses of any director, (or such director's or officer's heirs, executors or personal or legal representatives) in connection with any proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized by the Board.

8.3 Non-Exclusivity of Rights. The rights to indemnification and advancement of expenses conferred in Section 8.2 of this Certificate of Incorporation shall neither be exclusive of, nor be deemed in limitation of, any rights to which any person may otherwise be or become entitled or permitted under this Certificate of Incorporation, the Bylaws, any statute, agreement, vote of stockholders or disinterested directors or otherwise.

8.4 Insurance. To the fullest extent authorized or permitted by the DGCL, the Corporation may purchase and maintain insurance on behalf of any current or former director or officer of the Corporation against any liability asserted against such person, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article VIII or otherwise.

8.5 Persons Other Than Directors and Officers. This Article VIII shall not limit the right of the Corporation, to the extent and in the manner permitted by law, to indemnify and to advance expenses to, or to purchase and maintain insurance on behalf of, persons other than those persons described in the first sentence of Section 8.2 of this Certificate of Incorporation or to advance expenses to persons other than directors of the Corporation.

8.6 Effect of Modifications. Any amendment, repeal or modification of any provision contained in this Article VIII shall, unless otherwise required by law, be prospective only (except to the extent such amendment or change in law permits the Corporation to further limit or eliminate the liability of directors or officers) and shall not adversely affect any right or protection of any current or former director or officer of the Corporation existing at the time of such amendment, repeal or modification with respect to any acts or omissions occurring prior to such amendment, repeal or modification.

## ARTICLE IX MISCELLANEOUS

### 9.1 Forum for Certain Actions.

(a) Forum. Unless a majority of the Board, acting on behalf of the Corporation, consents in writing to the selection of an alternative forum (which consent may be given at any time, including during the pendency of litigation), the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another state court located within the State of Delaware or, if no court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation under Delaware law, (ii) any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim against the Corporation or any of its directors, officers or other employees arising pursuant to any provision of the DGCL, this Certificate of Incorporation or the Bylaws (in each case, as may be amended from time to time), (iv) any action asserting a claim against the Corporation or any of its directors, officers or other employees governed by the internal affairs doctrine of the State of Delaware or (v) any other action asserting an "internal corporate claim," as defined in Section 115 of the DGCL, in all cases subject to the court's having personal jurisdiction over all indispensable parties named as defendants. Nothing herein contained shall be construed to preclude stockholders that assert claims under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or any successor thereto, from bringing such claims in state or federal court, subject to applicable law.

(b) Personal Jurisdiction. If any action the subject matter of which is within the scope of subparagraph (a) of this Section 9.1 is filed in a court other than a court located within the State of Delaware (a "**Foreign Action**") in the name of any stockholder, such stockholder shall be deemed to have consented to (i) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce subparagraph (a) of this Section 9.1 (an "**Enforcement Action**") and (ii) having service of process made upon such stockholder in any such Enforcement Action by service upon such stockholder's counsel in the Foreign Action as agent for such stockholder.

(c) Enforceability. If any provision of this Section 9.1 shall be held to be invalid, illegal or unenforceable as applied to any person, entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law, the validity, legality and enforceability of such provision in any other circumstance and of the remaining provisions of this Section 9.1, and the application of such provision to other persons or entities and circumstances shall not in any way be affected or impaired thereby.

9.2 Amendment. The Corporation reserves the right to amend, alter or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by this Certificate of Incorporation and the DGCL; and all rights, preferences and privileges herein conferred upon stockholders of the Corporation by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Section 9.2. In addition to any other vote that may be required by law, applicable stock exchange rule or the terms of any series of Preferred Stock, the affirmative vote of the holders of at least a majority of the voting power of all then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, alter, repeal or adopt any provision of this Certificate of Incorporation. Notwithstanding any other provision of this Certificate of Incorporation, and in addition to any other vote that may be required by law, applicable stock exchange rule or the terms of any series of Preferred Stock, the affirmative vote of the holders of at least sixty six and two-thirds percent (66 2/3%) of the voting power of all then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, alter, repeal or adopt any provision of this Certificate of Incorporation inconsistent with the purpose and intent of Article V, Article VI, Article VII, Article VIII or this Article IX (including, without limitation, any such Article as renumbered as a result of any amendment, alternation, repeal or adoption of any other Article).

9.3 Severability. If any provision or provisions of this Certificate of Incorporation shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever the validity, legality and enforceability of such provision in any other circumstance and of the remaining provisions of this Certificate of Incorporation (including, without limitation, each portion of any paragraph of this Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby.

IN WITNESS WHEREOF, the Corporation has caused this Amended and Restated Certificate of Incorporation to be signed by a duly authorized officer of the Corporation on this \_\_\_\_ day of \_\_\_\_\_, 2019.

\_\_\_\_\_  
By:  
Its:

ZQ|CERT#|COY|CLS|RGSTRY|ACCT#|TRANSTYPE|RUN#|TRANS#

COMMON STOCK  
PAR VALUE \$0.00001

COMMON STOCK

# The RealReal

Certificate Number  
**ZQ00000000**

Shares  
\*\*\*\*\*000000\*\*\*\*\*  
\*\*\*\*\*000000\*\*\*\*\*  
\*\*\*\*\*000000\*\*\*\*\*  
\*\*\*\*\*000000\*\*\*\*\*

**THE REALREAL, INC.**  
INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

SEE REVERSE FOR CERTAIN DEFINITIONS  
**CUSIP 88339P 10 1**

THIS CERTIFIES THAT

**MR. SAMPLE & MRS. SAMPLE & MR. SAMPLE & MRS. SAMPLE**

is the owner of

**\*\*\*ZERO HUNDRED THOUSAND ZERO HUNDRED AND ZERO\*\*\***

THIS CERTIFICATE IS TRANSFERABLE IN CITIES DESIGNATED BY THE TRANSFER AGENT, AVAILABLE ONLINE AT [www.computershare.com](http://www.computershare.com)

FULLY-PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK OF

**The RealReal, Inc. (hereinafter called the "Company")**, transferable on the books of the Company in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby, are issued and shall be held subject to all of the provisions of the Certificate of Incorporation, as amended, and the By-Laws, as amended, of the Company (copies of which are on file with the Company and with the Transfer Agent), to all of which each holder, by acceptance hereof, assents. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

Witness the facsimile seal of the Company and the facsimile signatures of its duly authorized officers.

DATED **DD-MMM-YYYY**

**FACSIMILE SIGNATURE TO COME**

President



COUNTERSIGNED AND REGISTERED:  
**COMPUTERSHARE TRUST COMPANY, N.A.**  
TRANSFER AGENT AND REGISTRAR,

**FACSIMILE SIGNATURE TO COME**

Secretary

By \_\_\_\_\_ AUTHORIZED SIGNATURE

SECURITY INSTRUCTIONS ON REVERSE

# The RealReal

PO BOX 43004, Providence, RI 02940-3004

MR. A. SAMPLE  
DESIGNATION (IF ANY)

ADD 1  
ADD 2  
ADD 3  
ADD 4



CUSIP/IDENTIFIER	Holder ID	Insurance Value	Number of Shares	DTC	Certificate Numbers	Num/No. Denom.	Total
XXXXXXXXXX	XXXXXXXXXX	1,000,000.00	123456	123456	12345678901234567890	1	1
XXXXXXXXXX	XXXXXXXXXX	1,000,000.00	123456	123456	12345678901234567890	2	2
XXXXXXXXXX	XXXXXXXXXX	1,000,000.00	123456	123456	12345678901234567890	3	3
XXXXXXXXXX	XXXXXXXXXX	1,000,000.00	123456	123456	12345678901234567890	4	4
XXXXXXXXXX	XXXXXXXXXX	1,000,000.00	123456	123456	12345678901234567890	5	5
XXXXXXXXXX	XXXXXXXXXX	1,000,000.00	123456	123456	12345678901234567890	6	6
XXXXXXXXXX	XXXXXXXXXX	1,000,000.00	123456	123456	12345678901234567890	7	7

**THE REALREAL, INC.**

THE COMPANY WILL FURNISH WITHOUT CHARGE TO EACH SHAREHOLDER WHO SO REQUESTS, A SUMMARY OF THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OF THE COMPANY AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND RIGHTS, AND THE VARIATIONS IN RIGHTS, PREFERENCES AND LIMITATIONS DETERMINED FOR EACH SERIES, WHICH ARE FIXED BY THE CERTIFICATE OF INCORPORATION OF THE COMPANY, AS AMENDED, AND THE RESOLUTIONS OF THE BOARD OF DIRECTORS OF THE COMPANY, AND THE AUTHORITY OF THE BOARD OF DIRECTORS TO DETERMINE VARIATIONS FOR FUTURE SERIES. SUCH REQUEST MAY BE MADE TO THE OFFICE OF THE SECRETARY OF THE COMPANY OR TO THE TRANSFER AGENT. THE BOARD OF DIRECTORS MAY REQUIRE THE OWNER OF A LOST OR DESTROYED STOCK CERTIFICATE, OR HIS LEGAL REPRESENTATIVES, TO GIVE THE COMPANY A BOND TO INDEMNIFY IT AND ITS TRANSFER AGENTS AND REGISTRARS AGAINST ANY CLAIM THAT MAY BE MADE AGAINST THEM ON ACCOUNT OF THE ALLEGED LOSS OR DESTRUCTION OF ANY SUCH CERTIFICATE.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common	UNIF GIFT MIN ACT	.....Custodian .....	(Cust)	(Minor)
TEN ENT - as tenants by the entireties		under Uniform Gifts to Minors Act .....	(State)	
JT TEN - as joint tenants with right of survivorship and not as tenants in common	UNIF TRF MIN ACT	.....Custodian (until age .....	(Cust)	(State)
		.....under Uniform Transfers to Minors Act .....	(Minor)	(State)

Additional abbreviations may also be used though not in the above list.

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

For value received, \_\_\_\_\_ hereby sell, assign and transfer unto

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE, OF ASSIGNEE)

\_\_\_\_\_ Shares

of the common stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

Attorney

to transfer the said stock on the books of the within-named Company with full power of substitution in the premises.

Dated: \_\_\_\_\_ 20 \_\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Notice: The signature to this assignment must correspond with the name as written upon the face of the certificate, in every particular, without alteration or enlargement, or any change whatever.

**Signature(s) Guaranteed: Medallion Guarantee Stamp**

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (Banks, Stockbrokers, Savings and Loan Associations and Credit Unions) WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM, PURSUANT TO S.E.C. RULE 17a-15.

**SECURITY INSTRUCTIONS**

THIS IS WATERMARKED PAPER. DO NOT ACCEPT WITHOUT NOTING WATERMARK. HOLD TO LIGHT TO VERIFY WATERMARK.



The IRS requires that the named transfer agent ("we") report the cost basis of certain shares or units acquired after January 1, 2011. If your shares or units are covered by the legislation, and you requested to sell or transfer the shares or units using a specific cost basis calculation method, then we have processed as you requested. If you did not specify a cost basis calculation method, then we have defaulted to the first in, first out (FIFO) method. Please consult your tax advisor if you need additional information about cost basis.

**If you do not keep in contact with the issuer or do not have any activity in your account for the time period specified by state law, your property may become subject to state unclaimed property laws and transferred to the appropriate state.**

1534221

**SIDLEY**SIDLEY AUSTIN LLP  
1001 PAGE MILL ROAD  
BUILDING 1  
PALO ALTO, CA 94304  
+1 650 565 7000  
+1 650 565 7100 FAX

AMERICA • ASIA PACIFIC • EUROPE

June 17, 2019

The RealReal, Inc.  
55 Francisco Street  
Suite 600  
San Francisco, CA 94133Re: 17,250,000 Shares of Common Stock, \$0.00001 par value per share

Ladies and Gentlemen:

We refer to the Registration Statement on Form S-1, File No. 333-231891, filed by The RealReal, Inc., a Delaware corporation (the "Company"), with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act"), as amended by Amendment No. 1 filed with the SEC on June 6, 2019 and Amendment No. 2 being filed with the SEC on the date hereof (as so amended, the "Registration Statement"). The Registration Statement relates to the registration under the Securities Act of 17,250,000 shares (including an aggregate of 2,250,000 shares that may be sold by the Company pursuant to the exercise of the underwriters' option to purchase shares to cover overallocments under the Underwriting Agreement (as defined below)) of the Company's common stock, \$0.00001 par value per share (the "Common Stock"), of the Company (the "New Shares"). The New Shares are to be sold by the Company pursuant to an underwriting agreement among the Company and the Underwriters named therein, the form of which has been filed as Exhibit 1.1 to the Registration Statement (the "Underwriting Agreement").

This opinion letter is being delivered in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act.

We have examined (i) the Registration Statement; (ii) the form of the Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") of the Company to be filed with the Secretary of State of the State of Delaware prior to the closing of the sale of the New Shares contemplated by the Registration Statement, filed as Exhibit 3.2 to the Registration Statement; (iii) the form of the Amended and Restated Bylaws of the Company to be effective prior to the closing of the sale of the New Shares contemplated by the Registration Statement, filed as Exhibit 3.4 to the Registration Statement; (iv) the form of the Underwriting Agreement; and (v) the resolutions adopted by the board of directors of the Company relating to the Registration Statement and the issuance of the New Shares by the Company. We have also examined originals, or copies of originals certified to our satisfaction, of such agreements, documents, certificates and statements of the Company and other corporate documents and

Sidley Austin (CA) LLP is a Delaware limited liability partnership doing business as Sidley Austin LLP and practicing in affiliation with other Sidley Austin partnerships.

instruments, and have examined such questions of law, as we have considered relevant and necessary as a basis for this opinion letter. We have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the legal capacity of all persons and the conformity with the original documents of any copies thereof submitted to us for examination. As to facts relevant to the opinions expressed herein, we have relied without independent investigation or verification upon, and assumed the accuracy and completeness of certificates, letters and oral and written statements and representations of public officials and officers and other representatives of the Company. We have also assumed that the Certificate of Incorporation will be approved by all requisite action of the stockholders of the Company and will be duly filed with the Secretary of State of the State of Delaware prior to the sale of the New Shares.

Based on the foregoing, we are of the opinion that the New Shares will be validly issued, fully paid and non-assessable when: (i) the Registration Statement, as finally amended, shall have been declared effective under the Securities Act; (ii) the Company's board of directors or a duly authorized committee thereof shall have duly adopted final resolutions authorizing the issuance and sale of the New Shares as contemplated by the Registration Statement; and (iii) certificates representing the New Shares shall have been duly executed, countersigned and registered and duly delivered to the purchasers thereof against payment of the agreed consideration therefor or, if any New Shares are to be issued in uncertificated form, the Company's books shall reflect the issuance of such New Shares to the purchasers thereof against payment of the agreed consideration therefor in an amount not less than the par value thereof, all in accordance with the Underwriting Agreement as executed and delivered by the parties thereto.

This opinion letter is limited to the General Corporation Law of the State of Delaware. We express no opinion as to the laws, rules or regulations of any other jurisdiction, including, without limitation, the federal laws of the United States of America or any state securities or blue sky laws.

We hereby consent to the filing of this opinion letter as an Exhibit to the Registration Statement and to all references to our Firm included in or made a part of the Registration Statement. In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act.

Very truly yours,

/s/ Sidley Austin LLP



## THE REALREAL, INC.

## INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this "**Agreement**") is dated as of \_\_\_\_\_, and is between THE REALREAL, INC., a Delaware corporation (the "**Company**"), and \_\_\_\_\_ ("**Indemnitee**").

- WHEREAS**, Indemnitee's service to the Company substantially benefits the Company;
- WHEREAS**, individuals are reluctant to serve as directors or officers of corporations or in certain other capacities unless they are provided with adequate protection through insurance or indemnification against the risks of claims and actions against them arising out of such service;
- WHEREAS**, the Board of Directors of the Company (the "**Board**") has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself. The bylaws and certificate of incorporation of the Company require indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware ("**DGCL**"). The bylaws and certificate of incorporation and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification;
- WHEREAS**, Indemnitee does not regard the protection currently provided by applicable law, the Company's governing documents and any insurance as adequate under the present circumstances, and Indemnitee may not be willing to serve as a director or officer without additional protection;
- WHEREAS**, in order to induce Indemnitee to continue to provide services to the Company, it is reasonable, prudent and necessary for the Company to contractually obligate itself to indemnify, and to advance expenses on behalf of, Indemnitee as permitted by applicable law; and

**WHEREAS,**

this Agreement is a supplement to and in furtherance of the indemnification provided in the Company's certificate of incorporation and bylaws, and any resolutions adopted pursuant thereto, and this Agreement shall not be deemed a substitute therefor, nor shall this Agreement be deemed to limit, diminish or abrogate any rights of Indemnitee thereunder. However, to the extent that the provisions of this Agreement confer on Indemnitee broader rights to indemnification and advancement of Expenses (as that term is defined below) than are provided for in the Company's certificate of incorporation or bylaws, the provisions of this Agreement shall control.

**NOW, THEREFORE,** the Company and the parties do hereby agree as follows:

**1. Definitions.**

- (a) "Corporate Status" describes the status of a person who is or was a director, trustee, general partner, managing member, officer, employee, agent or fiduciary of the Company or any other Enterprise.
- (b) "DGCL" means the General Corporation Law of the State of Delaware.
- (c) "Enterprise" means the Company and any other corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, trustee, general partner, managing member, officer, employee, agent or fiduciary.
- (d) "Change in Control" means a transaction other than a bona fide equity financing or series of financings in which any "person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of a sufficient number of shares of all classes of stock then outstanding of the Company ordinarily entitled to vote in the election of directors, empowering such "person" or "group" to elect a majority of the Board of Directors of the Company, who did not have such power before such transaction.
- (e) "Expenses" include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees and costs of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also include (i) Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond or other appeal bond or their equivalent, and (ii) for purposes of Section 11(c) of this Agreement, Expenses incurred by Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

- (f) "Independent Counsel" means a law firm, or a partner (or, if applicable, member) of such a law firm, selected by Indemnitee that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to indemnification matters), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.
- (g) "Proceeding" means any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, formal or informal government or self-regulatory agency investigation or inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, in which Indemnitee was, is or is threatened to be involved as a party or otherwise by reason of the Indemnitee's Corporate Status, by reason of any action taken, or failure to act, by Indemnitee or of any action taken, or failure to take action, on the Indemnitee's part while acting as director or officer of the Company, or by reason the Indemnitee's Corporate Status, in each case whether or not serving in such capacity at the time any liability or Expense is incurred for which indemnification, reimbursement, or any Advance of Expenses can be provided under this Agreement; provided, however, that the term "Proceeding" shall not include any action, suit or arbitration initiated by Indemnitee to enforce Indemnitee's rights under this Agreement.
- (h) Reference to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

**2. Indemnity in Third-Party Proceedings.** The Company shall indemnify Indemnitee in accordance with the provisions of this Section 2 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 2, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses, judgments, penalties, fines and amounts paid in

settlement actually and reasonably incurred by Indemnitee or on his or her behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful.

**3. Indemnity in Proceedings by or in the Right of the Company.** The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 3 in respect of any claim, issue or matter as to which Indemnitee shall have been adjudged by a court of competent jurisdiction to be liable to the Company, unless and only to the extent that the Delaware Court of Chancery or any court in which the Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification for such expenses as the Delaware Court of Chancery or such other court shall deem proper.

**4. Indemnification for Expenses of a Party Who is Wholly or Partly Successful.** To the extent that Indemnitee is a party to or a participant in and is successful (on the merits or otherwise) in defense of any Proceeding or any claim, issue or matter therein, the Company shall indemnify Indemnitee to the fullest extent permitted by law against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section 4, the term "successful" shall include, but not be limited to, (i) any termination, withdrawal, or dismissal (with or without prejudice) of such Proceeding without any express finding of liability or guilt against Indemnitee, (ii) the expiration of 120 days after the making of such Proceeding without the institution of the same and without any promise or payment made to induce a settlement, or (iii) the settlement of such Proceeding pursuant to which the Indemnitee pays less than \$10,000 irrespective of whether other parties make payments which may be deemed to be on behalf of Indemnitee.

**5. Indemnification for Expenses of a Witness.** To the extent that Indemnitee is, by reason of his or her Corporate Status, a witness in any Proceeding to which Indemnitee is not a party, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith.

**6. Exclusions.** Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any Proceeding (or any part of any Proceeding):

- (a) for which payment has actually been made to or on behalf of Indemnitee under any statute, insurance policy, indemnity provision, vote or otherwise, except with respect to (i) any excess beyond the amount paid under any insurance policy or other indemnity provision or (ii) with respect to any insurance policy to the extent paid for the by the Indemnitee, any increase in premiums resulting from the amount paid under such policy[ provided that the foregoing shall not affect the rights of the Secondary Indemnitors as set forth in Section 13];
- (b) for an accounting, disgorgement or return of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of federal, state or local statutory law or common law, if Indemnitee is held liable therefor (including pursuant to any settlement arrangements);
- (c) for any claim, issue or matter initiated or brought by Indemnitee, except (i) with respect to counterclaims or affirmative defenses or to actions or proceedings brought to establish or enforce a right to receive Expenses or indemnification under this Agreement or any other agreement or insurance policy or under the certificate of incorporation or bylaws of the Company now or hereafter in effect relating to indemnification or (ii) if the Board has approved the initiation or bringing of such claim;
- (d) for any reimbursement of the Company by Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by Indemnitee from the sale of securities of the Company, as required in each case under the Securities Exchange Act of 1934, as amended (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the **Sarbanes-Oxley Act** of 2002 (the "**Sarbanes-Oxley Act**"), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act), if Indemnitee is held liable therefor (including pursuant to any settlement arrangements);
- (e) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees, agents or other indemnitees, unless (i) the Company's board of directors authorized the Proceeding (or the relevant part of the Proceeding) prior to its initiation, (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law, (iii) otherwise authorized in Section 11(c) of this Agreement (iv) otherwise required by applicable law;
- (f) if prohibited by applicable law; or
- (g) for any claim, issue or matter as to which Indemnitee shall have (i) entered a plea of guilty or nolo contendere to a felony or (ii) received a final, unappealable judgment or verdict of guilty or its equivalent in any criminal proceeding.

7. **Advances of Expenses.** The Company shall advance the Expenses incurred by Indemnitee in connection with any Proceeding, and such advancement shall be made as soon as reasonably practicable, but in any event no later than thirty (30) days, after the receipt by the Company of a written statement or statements requesting such advances from time to time (which shall include invoices received by Indemnitee in connection with such Expenses but, in the case of invoices in connection with legal services, any references to legal work performed or to expenditure made that would cause Indemnitee to waive any privilege accorded by applicable law shall not be included with the invoice). Advances shall be unsecured and interest free and made without regard to Indemnitee's ability to repay such advances. Indemnitee hereby undertakes to repay any advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company. This Section 7 shall not apply to the extent advancement is prohibited by law and shall not apply to any Proceeding for which indemnity is not permitted under this Agreement, but shall apply to any Proceeding referenced in Section 6(b) or 6(d) of this Agreement prior to a determination that Indemnitee is not entitled to be indemnified by the Company.

**8. Procedures for Notification and Defense of Claim.**

- (a) Indemnitee shall notify the Company in writing of any matter with respect to which Indemnitee intends to seek indemnification or advancement of Expenses as soon as reasonably practicable following the receipt by Indemnitee of notice thereof. The written notification to the Company shall include, in reasonable detail, a description of the nature of the Proceeding and the facts underlying the Proceeding. The failure by Indemnitee to notify the Company will not relieve the Company from any liability which it may have to Indemnitee hereunder or otherwise than under this Agreement, and any delay in so notifying the Company shall not constitute a waiver by Indemnitee of any rights, except to the extent that such failure or delay materially prejudices the Company.
- (b) If, at the time of the receipt of a notice of a Proceeding pursuant to the terms hereof, the Company has directors' and officers' liability insurance in effect, the Company shall give prompt notice of the commencement of the Proceeding to the insurers in accordance with the procedures set forth in the applicable policies. The Company shall thereafter take all commercially reasonable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.
- (c) In the event the Company may be obligated to make any indemnity in connection with a Proceeding, the Company shall be entitled to assume the defense of such Proceeding with counsel approved by Indemnitee, which approval shall not be unreasonably withheld, upon the delivery to Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee for any fees or expenses of counsel subsequently incurred by Indemnitee with respect to the same Proceeding. Notwithstanding the Company's assumption of the defense of any such Proceeding, the Company shall be obligated to pay the fees and expenses of Indemnitee's counsel to the extent (i) the employment of counsel by Indemnitee is authorized by the Company, (ii) counsel for the Company or Indemnitee shall have reasonably concluded that there is a conflict of interest between the Company and Indemnitee in the conduct of any such defense such that Indemnitee needs to be separately represented, (iii) the fees and expenses are non-

duplicative and reasonably incurred in connection with Indemnitee's role in the Proceeding despite the Company's assumption of the defense, (iv) the Company is not financially or legally able to perform its indemnification obligations or (v) the Company shall not have retained, or shall not continue to retain, such counsel to defend such Proceeding. The Company shall have the right to conduct such defense as it sees fit in its sole discretion. Regardless of any provision in this Agreement, Indemnitee shall have the right to employ counsel in any Proceeding at Indemnitee's personal expense. The Company shall not be entitled, without the consent of Indemnitee, to assume the defense of any claim brought by or in the right of the Company.

- (d) Indemnitee shall give the Company such information and cooperation in connection with the Proceeding as may be reasonably appropriate.
- (e) The Company shall not be liable to indemnify Indemnitee for any settlement of any Proceeding (or any part thereof) without the Company's prior written consent, which shall not be unreasonably withheld.
- (f) The Company shall not settle any Proceeding (or any part thereof) without Indemnitee's prior written consent, which shall not be unreasonably withheld.

**9. Procedures upon Application for Indemnification; Any Repayment of Advances After Disposition of a Proceeding.**

- (a) To obtain indemnification, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and as is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification following the final disposition of the Proceeding. The Company shall, as soon as reasonably practicable after receipt of such a request for indemnification, advise the board of directors that Indemnitee has requested indemnification. Any delay in providing the request will not relieve the Company from its obligations under this Agreement, except to the extent such failure is prejudicial.
- (b) Promptly following the disposition of a Proceeding, a determination with respect to Indemnitee's entitlement to indemnification and to retain any advances given to Indemnitee shall be made in the specific case by one of the following methods: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board; or (ii) if a Change in Control shall not have occurred, by majority vote of the directors who are neither parties, nor threatened to be made parties, to any Proceeding, even though less than a quorum, or by a committee of such directors designated by majority vote of such directors, even though less than a quorum (in either case, the "**Disinterested Directors**") or, if there are no Disinterested Directors, by Independent Counsel.
- (c) If the determination of entitlement to indemnification is to be made by Independent Counsel, Independent Counsel shall be selected by the Board if a Change in Control shall not have occurred or, if a Change in Control shall have occurred, by Indemnitee. The Indemnitee or the Company, as the case may be, may within ten (10) days after written notice of such

selection, deliver to the Company or the Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within twenty (20) days after the later of submission by Indemnitee of a written request for indemnification pursuant to Section 9(a) of this Agreement, and the final disposition of the Proceeding, including any appeal therein, no Independent Counsel shall have been selected and not objected to, either the Company or the Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Indemnitee or the Company to the selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 11(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

- (d) If it is determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall cooperate with the Disinterested Directors or Independent Counsel, as applicable, making such determination with respect to Indemnitee's entitlement to indemnification, including providing to the Disinterested Directors or Independent Counsel, as applicable, upon reasonable advance request any documentation or information that is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the Disinterested Directors or Independent Counsel, as applicable, shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

**10. Presumptions and Effect of Certain Proceedings.**

- (a) In making a determination with respect to entitlement to indemnification hereunder, the Disinterested Directors or Independent Counsel, as applicable, making such determination shall, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification. Neither the failure of the Company nor of the Disinterested Directors or Independent Counsel, as applicable, to have made a determination prior to the commencement of any Advance or indemnification action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company or by the Disinterested



Directors or Independent Counsel, as applicable, that Indemnitee has not met such applicable standard of conduct, shall be a defense available to the Company to the Advance or indemnification action or create a presumption that Indemnitee has not met the applicable standard of conduct necessary to obtain an Advance or indemnification.

- (b) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere other than to a felony, shall not (except as otherwise expressly provided in this Agreement) of itself create a presumption that Indemnitee did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his or her conduct was unlawful.
- (c) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith to the extent Indemnitee relied in good faith on (i) the records or books of account of the Enterprise, including financial statements, (ii) information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, (iii) the advice of legal counsel for the Enterprise or its board of directors or counsel selected by any committee of the board of directors or (iv) information or records given or reports made to the Enterprise by an independent certified public accountant, an appraiser, investment banker or other expert selected with reasonable care by the Enterprise or its board of directors or any committee of the board of directors. The provisions of this Section 10(c) shall not be deemed to be exclusive or to limit in any way the other circumstances in which Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.
- (d) Neither the knowledge, actions nor failure to act of any other director, officer, agent or employee of the Enterprise shall be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

**11. Remedies of Indemnitee.**

- (a) Subject to Section 11(f) in the event that (i) a determination is made by the Disinterested Directors (and for the avoidance of doubt, not by Independent Counsel) pursuant to Section 9 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 11(c) of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 9 of this Agreement within ninety (90) days after the later of the receipt by the Company of the request for indemnification or the final disposition of the Proceeding, (iv) payment of indemnification pursuant to this Agreement is not made (A) within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification or (B) with respect to indemnification pursuant to Sections 4, 5 and 11(c) of this Agreement, within thirty (30) days after receipt by the Company of a written request therefor, or (v) the Company or any other person or entity takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, Indemnitee the benefits provided or intended to be

provided to Indemnitee hereunder, Indemnitee shall be entitled to an adjudication by a court of competent jurisdiction of his or her entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his or her option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within one hundred eighty (180) days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 11(a); *provided, however*, that the foregoing clause shall not apply in respect of a proceeding brought by Indemnitee to enforce his or her rights under Section 4 of this Agreement. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration in accordance with this Agreement.

- (b) In the event that a determination shall have been made pursuant to Section 9 of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 11 shall be conducted in all respects as a de novo trial, or arbitration, on the merits, and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 11, the Company shall, to the fullest extent not prohibited by law, have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.
- (c) To the extent not prohibited by law, the Company shall indemnify Indemnitee against all Expenses that are incurred by Indemnitee in connection with any action for indemnification or advancement of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company to the extent Indemnitee is successful in such action, and, if requested by Indemnitee, shall (as soon as reasonably practicable, but in any event no later than sixty (60) days, after receipt by the Company of a written request therefor) advance such Expenses to Indemnitee.
- (d) If a determination shall have been made pursuant to Section 9 of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 11, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.
- (e) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 11 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. The Company shall indemnify Indemnitee against any and all Expenses which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or any advancement of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company only if Indemnitee ultimately is determined to be entitled to such indemnification, advancement of Expenses or insurance recovery, as the case may be, in the suit for which indemnification or an Advance is being sought.

- (f) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding, including any appeal therein.

**12. Contribution.** To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amounts incurred by Indemnitee, whether for Expenses, judgments, fines or amounts paid or to be paid in settlement, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the events and transactions giving rise to such Proceeding; and (ii) the relative fault of Indemnitee and the Company (and its other directors, officers, employees and agents) in connection with such events and transactions. The Company shall not enter into any settlement of any action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

**13. Non-exclusivity.** The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Company's certificate of incorporation or bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No supplement, modification, alteration, waiver, repeal or amendment of this Agreement or any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his or her Corporate Status prior to such supplement, modification, alteration, waiver, repeal or amendment. To the extent that after the date of this Agreement a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Company's certificate of incorporation and bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change, subject to the restrictions expressly set forth herein or therein. Except as expressly set forth herein, no right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. Except as expressly set forth herein, the assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

[The Company hereby acknowledges that Indemnitee has certain rights to indemnification, advancement of expenses and/or insurance provided by [ ] and certain of its affiliates (collectively, the "Secondary Indemnitors"). The Company hereby agrees (i) that it is the indemnitor of first resort (i.e., its obligations to Indemnitee are primary and any obligation of the Secondary Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by Indemnitee are secondary), (ii) that it shall be required to advance the full amount of expenses incurred by Indemnitee and shall be liable for the full amount of all Expenses, judgments,

penalties, fines and amounts paid in settlement to the extent legally permitted and as required by the terms of this Agreement and the certificate of incorporation or bylaws of the Company (or any other agreement between the Company and Indemnitee), without regard to any rights Indemnitee may have against the Secondary Indemnitors and (iii) that it irrevocably waives, relinquishes and releases the Secondary Indemnitors from any and all claims against the Secondary Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Secondary Indemnitors on behalf of Indemnitee with respect to any claim for which Indemnitee has sought indemnification from the Company shall affect the foregoing and the Secondary Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of Indemnitee against the Company. The Company and Indemnitee agree that the Secondary Indemnitors are express third party beneficiaries of the terms of this Section 13.]

**14. No Duplication of Payments.** The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder (or for which advancement is provided hereunder) if and to the extent that Indemnitee has otherwise actually received payment for such amounts under any insurance policy, contract, agreement or otherwise.

**15. Insurance**

- (a) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, trustees, general partners, managing members, officers, employees, agents or fiduciaries of the Company or any other Enterprise, Indemnitee shall be covered by such policy or policies to the same extent as the most favorably-insured persons under such policy or policies in a comparable position.
- (b) The Company shall use commercially reasonable best efforts to (a) maintain an insurance policy or policies providing liability insurance for directors, officers, employees, or agents of the Company or of any other Enterprise and (b) to provide that until at least the sixth (6<sup>th</sup>) anniversary of the date of expiration of the Indemnitee's period of service with the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

**16. Subrogation** In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee [(other than against the Secondary Indemnitors)], who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

**17. Duration.** This Agreement shall continue until and terminate upon the later of (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director or officer of the Company or as a director, trustee, general partner, managing member, officer, employee, agent or fiduciary of any other Enterprise, as applicable; or (b) one (1) year after the final termination of any Proceeding, including any appeal, then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 11 of this Agreement relating thereto.

**18. Successors.** This Agreement shall be binding upon the Company and its successors and assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company, and shall inure to the benefit of Indemnitee and Indemnitee's heirs, executors and administrators. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to the Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in Corporate Status even though Indemnitee may have ceased to serve in such capacity at the time of any Proceeding.

**19. Severability.** Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability, pursuant to court order or other applicable law, to perform its obligations under this Agreement shall not constitute a breach of this Agreement. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (ii) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (iii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

**20. Enforcement.** The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

**21. Entire Agreement.** This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof; *provided, however,* that this Agreement is a supplement to and in furtherance of the Company's certificate of incorporation and bylaws and applicable law.

22. **Modification and Waiver.** No supplement, modification, alteration, waiver, repeal or amendment of this Agreement or any provisions of this Agreement shall be binding unless executed in writing by the parties thereto. No supplement, modification, alteration, waiver, repeal or amendment of any of the provisions of this Agreement shall adversely affect, limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his or her Corporate Status prior to such supplement, modification, alteration, waiver, repeal or amendment. No waiver of any of the provisions of this Agreement shall constitute or be deemed a waiver of any other provision of this Agreement nor shall any waiver constitute a continuing waiver.

23. **Notices.** All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by registered or certified mail, postage prepaid, sent by facsimile or electronic mail or otherwise delivered by hand, messenger or courier service addressed:

- (a) if to Indemnitee, to Indemnitee's address, facsimile number or electronic mail address as shown on the signature page of this Agreement or in the Company's records, as may be updated in accordance with the provisions hereof; or
- (b) if to the Company, to the attention of the Chief Executive Officer or Chief Financial Officer of the Company at the address as shown on the signature page of this Agreement, or at such other current address as the Company shall have furnished to Indemnitee, with a copy (which shall not constitute notice) to Hank V. Barry at Sidley Austin LLP.

Each such notice or other communication shall for all purposes of this Agreement be treated as effective or having been given (i) if delivered by hand, messenger or courier service, when delivered (or if sent via a nationally-recognized overnight courier service, freight prepaid, specifying next-business-day delivery, one business day after deposit with the courier), (ii) if sent via mail, at the earlier of its receipt or five (5) days after the same has been deposited in a regularly-maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid, or (iii) if sent via facsimile, upon confirmation of facsimile transfer or, if sent via electronic mail, upon confirmation of delivery when directed to the relevant electronic mail address, if sent during normal business hours of the recipient, or if not sent during normal business hours of the recipient, then on the recipient's next business day.

24. **Internal Revenue Code 409A.** The Company intends for this Agreement to comply with the Indemnification exception under Section 1.409A-1(b)(10) of the regulations promulgated under the Internal Revenue Code of 1986, as amended (the "*Code*"), which provides that indemnification of, or the purchase of an insurance policy providing for payments of, all or part of the expenses incurred or damages paid or payable by Indemnitee with respect to a bona fide claim against Indemnitee or the Company do not provide for a deferral of compensation, subject to Section 409A of the Code, where such claim is based on actions or failures to act by Indemnitee in his or her capacity as a service provider of the Company. The parties intend that this Agreement be interpreted and construed with such intent.

25. **Applicable Law and Consent to Jurisdiction.** This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 10(b) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in

connection with this Agreement shall be brought only in the Delaware Court of Chancery, and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court of Chancery for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) appoint, to the extent such party is not otherwise subject to service of process in the State of Delaware, The Corporation Trust Company, Wilmington, Delaware as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court of Chancery, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court of Chancery has been brought in an improper or inconvenient forum.

**26. Counterparts.** This Agreement may be executed in two (2) or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. This Agreement may also be executed and delivered by facsimile signature, , electronic mail (including pdf or any electronic signature complying with the U.S. federal E-SIGN Act of 2000, e.g., [www.docusign.com](http://www.docusign.com)) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes, and in counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

**27. Captions.** The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

*(signature page follows)*

The parties are signing this Indemnification Agreement as of the day and year first above written.

**THE REALREAL, INC.**

By: \_\_\_\_\_

Name: Julie Wainwright

Title: Chief Executive Officer

Address: \_\_\_\_\_  
\_\_\_\_\_

**INDEMNITEE:**

\_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

*[Signature page to Indemnification Agreement]*



THE REALREAL, INC.  
2019 EQUITY INCENTIVE PLAN  
I. INTRODUCTION

**1.1. PURPOSES.** The purposes of The RealReal, Inc. 2019 Equity Incentive Plan (this "**Plan**") are (i) to align the interests of the Company's stockholders and the recipients of awards under this Plan by increasing the proprietary interest of such recipients in the Company's growth and success, (ii) to advance the interests of the Company by attracting and retaining Non-Employee Directors, officers, other employees, consultants, independent contractors and agents and (iii) to motivate such persons to act in the long-term best interests of the Company and its stockholders.

**1.2. CERTAIN DEFINITIONS.**

"**Agreement**" means the written or electronic agreement evidencing an award hereunder between the Company and the recipient of such award.

"**Beneficial Ownership**" has the meaning set forth in [Section 5.8\(a\)\(1\)](#).

"**Board**" means the Board of Directors of the Company.

"**Change in Control**" has the meaning set forth in [Section 5.8\(a\)](#).

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Committee**" means the Compensation Committee of the Board, or a subcommittee thereof, or such other committee designated by the Board, in each case, consisting of two or more members of the Board, each of whom is intended to be (i) a "Non-Employee Director" within the meaning of Rule 16b-3 under the Exchange Act and (ii) "independent" within the meaning of the rules of NASDAQ or, if the Common Stock is not listed on NASDAQ, within the meaning of the rules of the principal stock exchange on which the Common Stock is then traded.

"**Common Stock**" means the common stock, par value \$0.00001 per share, of the Company, and all rights appurtenant thereto.

"**Company**" means The RealReal, Inc., a Delaware corporation, or any successor thereto.

"**Election Contest**" has the meaning set forth in [Section 5.8\(a\)\(2\)](#).

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Fair Market Value**" means the closing transaction price of a share of Common Stock as reported on NASDAQ on the date as of which such value is being determined or, if the Common Stock is not listed on NASDAQ, the closing transaction price of a share of Common Stock on the principal national stock exchange on which the Common Stock is traded on the date as of which such value is being determined or, if there shall be no reported transactions for such date, on the next preceding date for which transactions were reported; *provided, however*, that if the

Common Stock is not listed on a national stock exchange or if Fair Market Value for any date cannot be so determined, Fair Market Value shall be determined by the Committee by whatever means or method as the Committee, in the good faith exercise of its discretion, shall at such time deem appropriate and in compliance with Section 409A of the Code.

“**Free-Standing SAR**” means a SAR which is not granted in tandem with, or by reference to, an option, which entitles the holder thereof to receive, upon exercise, shares of Common Stock (which may be Restricted Stock) or, to the extent set forth in the applicable Agreement, cash or a combination thereof, with an aggregate value equal to the excess of the Fair Market Value of one share of Common Stock on the date of exercise over the base price of such SAR, multiplied by the number of such SARs that are exercised.

“**Incentive Stock Option**” means an option to purchase shares of Common Stock that meets the requirements of Section 422 of the Code, or any successor provision, which is intended by the Committee to constitute an Incentive Stock Option.

“**Incumbent Board**” has the meaning set forth in [Section 5.8\(a\)\(2\)](#).

“**Non-Control Acquisition**” has the meaning set forth in [Section 5.8\(a\)\(1\)](#).

“**Non-Control Transaction**” has the meaning set forth in [Section 5.8\(a\)\(3\)](#).

“**Non-Employee Director**” means any member of the Board who is not an officer or employee of the Company or any Subsidiary.

“**Nonstatutory Stock Option**” means an option to purchase shares of Common Stock which is not an Incentive Stock Option.

“**Other Stock Award**” means an award granted pursuant to [Section 3.4](#) of the Plan.

“**Performance Award**” means a right to receive an amount of cash, Common Stock, or a combination of both, contingent upon the attainment of specified Performance Measures within a specified Performance Period.

“**Performance Measures**” means the criteria and objectives, established by the Committee, which shall be satisfied or met (i) as a condition to the grant or exercisability of all or a portion of an option or SAR or (ii) during the applicable Restriction Period or Performance Period as a condition to the vesting of the holder’s interest, in the case of a Restricted Stock Award, of the shares of Common Stock subject to such award, or, in the case of a Restricted Stock Unit Award, Other Stock Award or Performance Award, to the holder’s receipt of the shares of Common Stock subject to such award or of payment with respect to such award. Such criteria and objectives may include one or more of the following corporate-wide or subsidiary, division, operating unit, line of business, project, geographic or individual measures: the attainment by a share of Common Stock of a specified Fair Market Value for a specified period of time; increase in stockholder value; earnings per share; return on or net assets; return on equity; return on investments; return on capital or invested capital; total stockholder return; earnings or income of the Company before or after taxes and/or interest; earnings before interest, taxes, depreciation and amortization (“**EBITDA**”); EBITDA margin; operating income; revenues; operating

expenses, attainment of expense levels or cost reduction goals; market share; cash flow, cash flow per share, cash flow margin or free cash flow; interest expense; economic value created; gross profit or margin; operating profit or margin; net cash provided by operations; price-to-earnings growth; and strategic business criteria, consisting of one or more objectives based on meeting specified goals relating to gross merchandizing volume, market penetration, customer acquisition, business expansion, cost targets, customer satisfaction, reductions in errors and omissions, reductions in lost business, management of employment practices and employee benefits, supervision of litigation, supervision of information technology, quality and quality audit scores, efficiency, and acquisitions or divestitures, or such other goals as the Committee may determine whether or not listed herein, or any combination of the foregoing. Each such goal may be expressed on an absolute or relative basis and may include comparisons based on current internal targets, the past performance of the Company (including the performance of one or more subsidiaries, divisions, or operating units) or the past or current performance of other companies or market indices (or a combination of such past and current performance). In addition to the ratios specifically enumerated above, performance goals may include comparisons relating to capital (including, but not limited to, the cost of capital), shareholders' equity, shares outstanding, assets or net assets, sales, or any combination thereof. The applicable performance measures may be applied on a pre- or post-tax basis and may be adjusted to include or exclude components of any performance measure, including, without limitation, foreign exchange gains and losses, asset writedowns, acquisitions and divestitures, change in fiscal year, unbudgeted capital expenditures, special charges such as restructuring or impairment charges, debt refinancing costs, extraordinary or noncash items, unusual, infrequently occurring, nonrecurring or one-time events affecting the Company or its financial statements or changes in law or accounting principles ("Adjustment Events"). In the sole discretion of the Committee, the Committee may amend or adjust the Performance Measures or other terms and conditions of an outstanding award in recognition of any Adjustment Events. Performance goals shall be subject to such other special rules and conditions as the Committee may establish at any time.

"**Performance Period**" means any period designated by the Committee during which (i) the Performance Measures applicable to an award shall be measured and (ii) the conditions to vesting applicable to an award shall remain in effect.

"**Prior Plan**" means The RealReal, Inc. 2011 Equity Incentive Plan, as amended.

"**Proxy Contest**" has the meaning set forth in [Section 5.8\(a\)\(2\)](#).

"**Restricted Stock**" means shares of Common Stock which are subject to a Restriction Period and which may, in addition thereto, be subject to the attainment of specified Performance Measures within a specified Performance Period.

"**Restricted Stock Award**" means an award of Restricted Stock under this Plan.

"**Restricted Stock Unit**" means a right to receive one share of Common Stock or, in lieu thereof and to the extent set forth in the applicable Agreement, the Fair Market Value of such share of Common Stock in cash, which shall be contingent upon the expiration of a specified Restriction Period and which may, in addition thereto, be contingent upon the attainment of specified Performance Measures within a specified Performance Period.

“**Restricted Stock Unit Award**” means an award of Restricted Stock Units under this Plan.

“**Restriction Period**” means any period designated by the Committee during which either (i) the Common Stock subject to a Restricted Stock Award may not be sold, transferred, assigned, pledged, hypothecated or otherwise encumbered or disposed of, except as provided in this Plan or the Agreement relating to such award, or (ii) the conditions to vesting applicable to a Restricted Stock Unit Award or Other Stock Award shall remain in effect.

“**SAR**” means a stock appreciation right, which may be a Free-Standing SAR or a Tandem SAR.

“**Stock Award**” means a Restricted Stock Award, Restricted Stock Unit Award or Other Stock Award.

“**Subject Person**” has the meaning set forth in [Section 5.8\(a\)](#).

“**Subsidiary**” means any corporation, limited liability company, partnership, joint venture, or similar entity in which the Company owns, directly or indirectly, an equity interest possessing more than 50% of the combined voting power of the total outstanding equity interests of such entity.

“**Substitute Award**” means an award granted under this Plan upon the assumption of, or in substitution for, outstanding equity awards previously granted by a company or other entity in connection with a corporate transaction, including a merger, combination, consolidation, or acquisition of property or stock; *provided, however*, that in no event shall the term “Substitute Award” be construed to refer to an award made in connection with the cancellation and repricing of an option or SAR.

“**Tandem SAR**” means an SAR which is granted in tandem with, or by reference to, an option (including a Nonstatutory Stock Option granted prior to the date of grant of the SAR), which entitles the holder thereof to receive, upon exercise of such SAR and surrender for cancellation of all or a portion of such option, shares of Common Stock (which may be Restricted Stock) or, to the extent set forth in the applicable Agreement, cash or a combination thereof, with an aggregate value equal to the excess of the Fair Market Value of one share of Common Stock on the date of exercise over the base price of such SAR, multiplied by the number of shares of Common Stock subject to such option, or portion thereof, which is surrendered.

“**Tax Date**” has the meaning set forth in [Section 5.5](#).

“**Ten Percent Holder**” has the meaning set forth in [Section 2.1\(a\)](#).

“**Voting Securities**” has the meaning set forth in [Section 5.8\(a\)\(1\)](#).

**1.3. ADMINISTRATION.** This Plan shall be administered by the Committee. Any one or a combination of the following awards may be made under this Plan to eligible persons: (i) options to purchase shares of Common Stock in the form of Incentive Stock Options or Nonstatutory Stock Options; (ii) SARs in the form of Tandem SARs or Free-Standing SARs;

(iii) Stock Awards in the form of Restricted Stock, Restricted Stock Units or Other Stock Awards; and (iv) Performance Awards. The Committee shall, subject to the terms of this Plan, select eligible persons for participation in this Plan and determine the form, amount and timing of each award to such persons and, if applicable, the number of shares of Common Stock subject to an award, the number of SARs, the number of Restricted Stock Units, the dollar value subject to a Performance Award, the purchase price or base price associated with the award, the time and conditions of exercise or settlement of the award, and all other terms and conditions of the award, including, without limitation, the form of the Agreement evidencing the award. The Committee may, in its sole discretion and for any reason at any time, take action such that (i) any or all outstanding options and SARs shall become exercisable in part or in full, (ii) all or a portion of the Restriction Period applicable to any outstanding awards shall lapse, (iii) all or a portion of the Performance Period applicable to any outstanding awards shall lapse and (iv) the Performance Measures (if any) applicable to any outstanding awards shall be deemed to be satisfied at the target, maximum or any other level. The Committee shall, subject to the terms of this Plan, interpret this Plan and the application thereof, establish rules and regulations it deems necessary or desirable for the administration of this Plan, and may impose, incidental to the grant of an award, conditions with respect to the award, such as limiting competitive employment or other activities. All such interpretations, rules, regulations and conditions shall be conclusive and binding on all parties.

The Committee may delegate some or all of its power and authority hereunder to the Board (or any members thereof) or, subject to applicable law, to a subcommittee of the Board, a member of the Board, the Chief Executive Officer or other executive officer of the Company as the Committee deems appropriate; *provided, however*, that the Committee may not delegate its power and authority to a member of the Board, the Chief Executive Officer or other executive officer of the Company with regard to the selection for participation in this Plan of an officer, director or other person subject to Section 16 of the Exchange Act or decisions concerning the timing, pricing or amount of an award to such an officer, director or other person.

No member of the Board or Committee, and neither the Chief Executive Officer nor any other executive officer to whom the Committee delegates any of its power and authority hereunder, shall be liable for any act, omission, interpretation, construction or determination made in connection with this Plan in good faith, and the members of the Board and the Committee and the Chief Executive Officer or other executive officer shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including attorneys' fees) arising therefrom to the full extent permitted by law (except as otherwise may be provided in the Company's Certificate of Incorporation and/or By-laws) and under any directors' and officers' liability insurance that may be in effect from time to time.

**1.4. ELIGIBILITY.** Participants in this Plan shall consist of such officers, other employees, Non-Employee Directors, consultants, independent contractors, agents, and persons expected to become officers, other employees, Non-Employee Directors, consultants, independent contractors and agents of the Company and its Subsidiaries as the Committee in its sole discretion may select from time to time. The Committee's selection of a person to participate in this Plan at any time shall not require the Committee to select such person to participate in this Plan at any other time. Except as otherwise provided for in an Agreement, for purposes of this Plan, references to employment by the Company shall also mean employment by a Subsidiary,

and references to employment shall include service as a Non-Employee Director, consultant, independent contractor or agent. The Committee shall determine, in its sole discretion, the extent to which a participant shall be considered employed during an approved leave of absence. Notwithstanding anything herein to the contrary, the aggregate value of cash compensation to be paid and the grant date fair value of equity awards that may be granted during any fiscal year of the Company to any Non-Employee Director shall not exceed \$1,000,000.

**1.5. SHARES AVAILABLE.** Subject to adjustment as provided in Section 5.7 and to all other limits set forth in this Plan, 8,000,000 shares of Common Stock shall initially be available for all awards under this Plan, other than Substitute Awards. Subject to adjustment as provided in Section 5.7, no more than 8,000,000 shares of Common Stock in the aggregate may be issued under the Plan in connection with Incentive Stock Options. The number of shares of Common Stock available under the Plan shall increase annually on the first day of each fiscal year, beginning with the fiscal year ending December 31, 2020, and continuing until (and including) the fiscal year ending December 31, 2029, with such annual increase equal to the lesser of (i) 8,000,000 shares of Common Stock, (ii) 5% of the number of shares of Common Stock issued and outstanding on December 31 of the immediately preceding calendar year, and (iii) an amount determined by the Board. The number of shares of Common Stock that remain available for future grants under this Plan shall be reduced by the sum of the aggregate number of shares of Common Stock that become subject to outstanding options, outstanding Free-Standing SARs, outstanding Stock Awards and outstanding Performance Awards denominated in shares of Common Stock.

To the extent that shares of Common Stock subject to an outstanding option, SAR, Stock Award or Performance Award granted under the Plan or the Prior Plan, other than Substitute Awards, are not issued or delivered by reason of (i) the expiration, termination, cancellation or forfeiture of such award (excluding shares subject to an option cancelled upon settlement in shares of a related Tandem SAR or shares subject to a Tandem SAR cancelled upon exercise of a related option) or (ii) the settlement of such award in cash, then such shares of Common Stock shall again be available under this Plan. In addition, shares of Common Stock subject to an award under this Plan or the Prior Plan shall again be available for issuance under this Plan if such shares are (x) shares that were subject to an option or stock-settled SAR and were not issued or delivered upon the net settlement or net exercise of such option or SAR or (y) shares delivered to or withheld by the Company to pay the purchase price or the withholding taxes related to an outstanding award. Notwithstanding anything herein to the contrary, shares repurchased by the Company on the open market with the proceeds of an option exercise shall not again be available under this Plan.

The number of shares of Common Stock available for awards under this Plan shall not be reduced by (i) the number of shares of Common Stock subject to Substitute Awards or (ii) available shares under a stockholder approved plan of a company or other entity which was a party to a corporate transaction with the Company (as appropriately adjusted to reflect such corporate transaction) which become subject to awards granted under this Plan (subject to applicable stock exchange requirements).

Shares of Common Stock to be delivered under this Plan shall be made available from authorized and unissued shares of Common Stock, or authorized and issued shares of Common Stock reacquired and held as treasury shares or otherwise or a combination thereof.

## II. STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

**2.1. STOCK OPTIONS.** The Committee may, in its discretion, grant options to purchase shares of Common Stock to such eligible persons as may be selected by the Committee. Each option, or portion thereof, that is not an Incentive Stock Option, shall be a Nonstatutory Stock Option. To the extent that the aggregate Fair Market Value (determined as of the date of grant) of shares of Common Stock with respect to which options designated as Incentive Stock Options are exercisable for the first time by a holder during any calendar year (under this Plan or any other plan of the Company, or any parent or Subsidiary) exceeds the amount (currently \$100,000) established by the Code, such options shall constitute Nonstatutory Stock Options.

Options shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem advisable:

(a) **Number of Shares and Purchase Price.** The number of shares of Common Stock subject to an option and the purchase price per share of Common Stock purchasable upon exercise of the option shall be determined by the Committee; *provided, however*, that the purchase price per share of Common Stock purchasable upon exercise of an option shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date of grant of such option; *provided further*, that if an Incentive Stock Option shall be granted to any person who, at the time such option is granted, owns capital stock possessing more than 10% of the total combined voting power of all classes of capital stock of the Company (or of any parent or Subsidiary) (a "**Ten Percent Holder**"), the purchase price per share of Common Stock shall not be less than the price (currently 110% of Fair Market Value) required by the Code in order to constitute an Incentive Stock Option.

Notwithstanding the foregoing, in the case of an option that is a Substitute Award, the purchase price per share of the shares subject to such option may be less than 100% of the Fair Market Value per share on the date of grant, provided, that the excess of: (a) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the shares subject to the Substitute Award, over (b) the aggregate purchase price thereof does not exceed the excess of: (x) the aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Committee) of the shares of the predecessor company or other entity that were subject to the grant assumed or substituted for by the Company, over (y) the aggregate purchase price of such shares.

(b) **Option Period and Exercisability.** The period during which an option may be exercised shall be determined by the Committee; *provided, however*, that no option may be exercised later than ten years after its date of grant; *provided further*, that if an Incentive Stock Option shall be granted to a Ten Percent Holder, such option may not be exercised later than five years after its date of grant. The Committee may, in its discretion, establish Performance Measures which shall be satisfied or met as a condition to the grant of an option or to the exercisability of all or a portion of an option. The Committee shall determine whether an option shall become exercisable in cumulative or non-cumulative installments and in part or in full at any time. An exercisable option, or portion thereof, may be exercised only with respect to whole shares of Common Stock.

(c) **Method of Exercise.** An option may be exercised (i) by giving written notice to the Company specifying the number of whole shares of Common Stock to be purchased and accompanying such notice with payment therefor in full (or arrangement made for such payment to the Company's satisfaction) either: (A) in cash; (B) by delivery (either actual delivery or by attestation procedures established by the Company) of shares of Common Stock having a Fair Market Value, determined as of the date of exercise, equal to the aggregate purchase price payable by reason of such exercise; (C) authorizing the Company to withhold whole shares of Common Stock which would otherwise be delivered having an aggregate Fair Market Value, determined as of the date of exercise, equal to the amount necessary to satisfy such obligation; (D) in cash by a broker-dealer acceptable to the Company to whom the holder has submitted an irrevocable notice of exercise; (E) in any other form of legal consideration that may be acceptable to the Committee and specified in the Agreement; or (F) a combination of (A), (B), (C) and (E), in each case to the extent set forth in the Agreement relating to the option; (ii) if applicable, by surrendering to the Company any Tandem SARs which are cancelled by reason of the exercise of the option; and (iii) by executing such documents as the Company may reasonably request. Any fraction of a share of Common Stock which would be required to pay such purchase price shall be disregarded and the remaining amount due shall be paid in cash by the holder. No shares of Common Stock shall be issued and no certificate representing Common Stock shall be delivered until the full purchase price therefor and any withholding taxes thereon, as described in Section 5.5, have been paid (or arrangement made for such payment to the Company's satisfaction).

**2.2. STOCK APPRECIATION RIGHTS.** The Committee may, in its discretion, grant SARs to such eligible persons as may be selected by the Committee. The Agreement relating to an SAR shall specify whether the SAR is a Tandem SAR or a Free-Standing SAR.

SARs shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem advisable:

(a) **Number of SARs and Base Price.** The number of SARs subject to an award shall be determined by the Committee. Any Tandem SAR related to an Incentive Stock Option shall be granted at the same time that such Incentive Stock Option is granted. The base price of a Tandem SAR shall be the purchase price per share of Common Stock of the related option. The base price of a Free-Standing SAR shall be determined by the Committee; *provided, however*, that such base price shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date of grant of such SAR (or, if earlier, the date of grant of the option for which the SAR is exchanged or substituted).



Notwithstanding the foregoing, in the case of an SAR that is a Substitute Award, the base price per share of the shares subject to such SAR may be less than 100% of the Fair Market Value per share on the date of grant, provided, that the excess of: (a) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the shares subject to the Substitute Award, over (b) the aggregate base price thereof does not exceed the excess of: (x) the aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Committee) of the shares of the predecessor company or other entity that were subject to the grant assumed or substituted for by the Company, over (y) the aggregate base price of such shares.

(b) **Exercise Period and Exercisability.** The period for the exercise of an SAR shall be determined by the Committee; *provided, however*, that (i) no Tandem SAR may be exercised later than the expiration, cancellation, forfeiture or other termination of the related option and (ii) no Free-Standing SAR may be exercised later than ten years after its date of grant. The Committee may, in its discretion, establish Performance Measures which shall be satisfied or met as a condition to the grant of an SAR or to the exercisability of all or a portion of an SAR. The Committee shall determine whether an SAR may be exercised in cumulative or non-cumulative installments and in part or in full at any time. An exercisable SAR, or portion thereof, may be exercised, in the case of a Tandem SAR, only with respect to whole shares of Common Stock and, in the case of a Free-Standing SAR, only with respect to a whole number of SARs. If an SAR is exercised for shares of Restricted Stock, a certificate or certificates representing such Restricted Stock shall be issued in accordance with [Section 3.2\(c\)](#), or such shares shall be transferred to the holder in book entry form with restrictions on the shares duly noted, and the holder of such Restricted Stock shall have such rights of a stockholder of the Company as determined pursuant to [Section 3.2\(d\)](#). Prior to the exercise of a stock-settled SAR, the holder of such SAR shall have no rights as a stockholder of the Company with respect to the shares of Common Stock subject to such SAR.

(c) **Method of Exercise.** A Tandem SAR may be exercised by (i) giving written notice to the Company specifying the number of whole SARs which are being exercised, (ii) surrendering to the Company any options which are cancelled by reason of the exercise of the Tandem SAR and (iii) executing such documents as the Company may reasonably request. A Free-Standing SAR may be exercised by (A) giving written notice to the Company specifying the whole number of SARs which are being exercised and (B) executing such documents as the Company may reasonably request. No shares of Common Stock shall be issued and no certificate representing Common Stock shall be delivered until any withholding taxes thereon, as described in [Section 5.5](#), have been paid (or arrangement made for such payment to the Company's satisfaction).

**2.3. TERMINATION OF EMPLOYMENT OR SERVICE.** All of the terms relating to the exercise, cancellation or other disposition of an option or SAR (i) upon a termination of employment with or service to the Company of the holder of such option or SAR, as the case may be, whether by reason of disability, retirement, death, or any other reason; or (ii) during a paid or unpaid leave of absence, shall be determined by the Committee and set forth in the applicable Agreement.

**2.4. NO REPRICING.** The Committee shall not, without the approval of the stockholders of the Company, (i) reduce the purchase price or base price of any previously granted option or SAR, (ii) cancel any previously granted option or SAR in exchange for another option or SAR with a lower purchase price or base price or (iii) cancel any previously granted option or SAR in exchange for cash or another award if the purchase price of such option or the base price of such SAR exceeds the Fair Market Value of a share of Common Stock on the date of such cancellation, in each case, other than in connection with a Change in Control or the adjustment provisions set forth in [Section 5.7](#).

**2.5. NO DIVIDEND EQUIVALENTS.** Notwithstanding anything in an Agreement to the contrary, the holder of an option or SAR shall not be entitled to receive dividend equivalents with respect to the number of shares of Common Stock subject to such option or SAR.

### III. STOCK AWARDS

**3.1. STOCK AWARDS.** The Committee may, in its discretion, grant Stock Awards to such eligible persons as may be selected by the Committee. The Agreement relating to a Stock Award shall specify whether the Stock Award is a Restricted Stock Award, a Restricted Stock Unit Award or, in the case of an Other Stock Award, the type of award being granted.

**3.2. TERMS OF RESTRICTED STOCK AWARDS.** Restricted Stock Awards shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem advisable.

(a) **Number of Shares and Other Terms.** The number of shares of Common Stock subject to a Restricted Stock Award and the Restriction Period, Performance Period (if any) and Performance Measures (if any) applicable to a Restricted Stock Award shall be determined by the Committee.

(b) **Vesting and Forfeiture.** The Agreement relating to a Restricted Stock Award shall provide, in the manner determined by the Committee, in its discretion, and subject to the provisions of this Plan, for the vesting of the shares of Common Stock subject to such award (i) if the holder of such award remains continuously in the employment of the Company during the specified Restriction Period and (ii) if specified Performance Measures (if any) are satisfied or met during a specified Performance Period, and for the forfeiture of the shares of Common Stock subject to such award (x) if the holder of such award does not remain continuously in the employment of the Company during the specified Restriction Period or (y) if specified Performance Measures (if any) are not satisfied or met during a specified Performance Period.

(c) **Stock Issuance.** During the Restriction Period, the shares of Restricted Stock shall be held by a custodian in book entry form with restrictions on such shares duly noted or, alternatively, a certificate or certificates representing a Restricted Stock Award shall be registered in the holder's name and may bear a legend, in addition to any legend which may be required pursuant to Section 5.6, indicating that the ownership of the shares of Common Stock represented by such certificate is subject to the restrictions, terms and conditions of this Plan and the Agreement relating to the Restricted Stock Award. All such certificates shall be deposited with the Company, together with stock powers or other instruments of assignment (including a power of attorney), each endorsed in blank with a guarantee of signature if deemed necessary or appropriate, which would permit transfer to the Company of all or a portion of the shares of Common Stock subject to the Restricted Stock Award in the event such award is forfeited in whole or in part. Upon termination of any applicable Restriction Period (and the satisfaction or attainment of applicable Performance Measures), subject to the Company's right to require

payment of any taxes in accordance with [Section 5.5](#), the restrictions shall be removed from the requisite number of any shares of Common Stock that are held in book entry form, and all certificates evidencing ownership of the requisite number of shares of Common Stock shall be delivered to the holder of such award.

(d) **Rights with Respect to Restricted Stock Awards.** Unless otherwise set forth in the Agreement relating to a Restricted Stock Award, and subject to the terms and conditions of a Restricted Stock Award, the holder of such award shall have all rights as a stockholder of the Company, including, but not limited to, voting rights, the right to receive dividends and the right to participate in any capital adjustment applicable to all holders of Common Stock; *provided, however*, that a distribution or dividend with respect to shares of Common Stock, including a regular cash dividend, shall be deposited with the Company and shall be subject to the same restrictions as the shares of Common Stock with respect to which such distribution was made.

**3.3. TERMS OF RESTRICTED STOCK UNIT AWARDS.** Restricted Stock Unit Awards shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem advisable.

(a) **Number of Shares and Other Terms.** The number of shares of Common Stock subject to a Restricted Stock Unit Award, including the number of shares that are earned upon the attainment of any specified Performance Measures, and the Restriction Period, Performance Period (if any) and Performance Measures (if any) applicable to a Restricted Stock Unit Award shall be determined by the Committee.

(b) **Vesting and Forfeiture.** The Agreement relating to a Restricted Stock Unit Award shall provide, in the manner determined by the Committee, in its discretion, and subject to the provisions of this Plan, for the vesting of such Restricted Stock Unit Award (i) if the holder of such award remains continuously in the employment of the Company during the specified Restriction Period and (ii) if specified Performance Measures (if any) are satisfied or met during a specified Performance Period, and for the forfeiture of the shares of Common Stock subject to such award (x) if the holder of such award does not remain continuously in the employment of the Company during the specified Restriction Period or (y) if specified Performance Measures (if any) are not satisfied or met during a specified Performance Period.

(c) **Settlement of Vested Restricted Stock Unit Awards.** The Agreement relating to a Restricted Stock Unit Award shall specify (i) whether such award may be settled in shares of Common Stock or cash or a combination thereof and (ii) whether the holder thereof shall be entitled to receive dividend equivalents, and, if determined by the Committee, interest on, or the deemed reinvestment of, any deferred dividend equivalents, with respect to the number of shares of Common Stock subject to such award. Any dividend equivalents with respect to Restricted Stock Units shall be subject to the same restrictions as such Restricted Stock Units. Prior to the settlement of a Restricted Stock Unit Award, the holder of such award shall have no rights as a stockholder of the Company with respect to the shares of Common Stock subject to such award.

**3.4. OTHER STOCK AWARDS.** Subject to the limitations set forth in the Plan, the Committee is authorized to grant other awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, shares of Common Stock, including without limitation shares of Common Stock granted as a bonus and not subject to any vesting conditions, dividend equivalents, deferred stock units, stock purchase rights and shares of Common Stock issued in lieu of obligations of the Company to pay cash under any compensatory plan or arrangement, subject to such terms as shall be determined by the Committee. The Committee shall determine the terms and conditions of such awards, which may include the right to elective deferral thereof, subject to such terms and conditions as the Committee may specify in its discretion.

**3.5. TERMINATION OF EMPLOYMENT OR SERVICE.** All of the terms relating to the satisfaction of Performance Measures and the termination of the Restriction Period or Performance Period relating to a Stock Award, or any forfeiture and cancellation of such award (i) upon a termination of employment with or service to the Company of the holder of such award, whether by reason of disability, retirement, death, or any other reason; or (ii) during a paid or unpaid leave of absence, shall be determined by the Committee and set forth in the applicable Agreement.

#### IV. PERFORMANCE AWARDS

**4.1. PERFORMANCE AWARDS.** The Committee may, in its discretion, grant Performance Awards to such eligible persons as may be selected by the Committee.

**4.2. TERMS OF PERFORMANCE AWARDS.** Performance Awards shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem advisable.

(a) **Value of Performance Awards and Performance Measures.** The method of determining the value of the Performance Award and the Performance Measures and Performance Period applicable to a Performance Award shall be determined by the Committee.

(b) **Vesting and Forfeiture.** The Agreement relating to a Performance Award shall provide, in the manner determined by the Committee, in its discretion, and subject to the provisions of this Plan, for the vesting of such Performance Award if the specified Performance Measures are satisfied or met during the specified Performance Period and for the forfeiture of such award if the specified Performance Measures are not satisfied or met during the specified Performance Period.

(c) **Settlement of Vested Performance Awards.** The Agreement relating to a Performance Award shall specify whether such award may be settled in shares of Common Stock (including shares of Restricted Stock) or cash or a combination thereof. If a Performance Award is settled in shares of Restricted Stock, such shares of Restricted Stock shall be issued to the holder in book entry form or a certificate or certificates representing such Restricted Stock shall be issued in accordance with [Section 3.2\(c\)](#), and the holder of such Restricted Stock shall have such rights as a stockholder of the Company as determined pursuant to [Section 3.2\(d\)](#). Any dividends or dividend equivalents with respect to a Performance Award shall be subject to the same restrictions as such Performance Award. Prior to the settlement of a Performance Award in shares of Common Stock, including Restricted Stock, the holder of such award shall have no rights as a stockholder of the Company.

**4.3. TERMINATION OF EMPLOYMENT OR SERVICE.** All of the terms relating to the satisfaction of Performance Measures and the termination of the Performance Period relating to a Performance Award, or any forfeiture and cancellation of such award (i) upon a termination of employment with or service to the Company of the holder of such award, whether by reason of disability, retirement, death, or any other reason; or (ii) during a paid or unpaid leave of absence, shall be determined by the Committee and set forth in the applicable Agreement.

#### V. GENERAL

**5.1. EFFECTIVE DATE AND TERM OF PLAN.** This Plan shall be submitted to the stockholders of the Company for approval and, if approved, shall become effective as of the date of such stockholder approval. This Plan shall terminate on the tenth anniversary of Board approval of the Plan, unless terminated earlier by the Board. Termination of this Plan shall not affect the terms or conditions of any award granted prior to termination. Awards hereunder may be made at any time prior to the termination of this Plan, **provided that no Incentive Stock Option may be granted later than ten years after the date on which the Plan was approved by the Board.**

**5.2. AMENDMENTS.** The Board may amend this Plan as it shall deem advisable; *provided, however*, that no amendment to the Plan shall be effective without the approval of the Company's stockholders if (i) stockholder approval is required by applicable law, rule or regulation, including any rule of NASDAQ or any other stock exchange on which the Common Stock is then traded, or (ii) such amendment seeks to modify the Non-Employee Director compensation limit set forth in Section 1.4 or the terms of Section 2.4 hereof; *provided further*, that no amendment may materially impair the rights of a holder of an outstanding award without the consent of such holder.

**5.3. AGREEMENT.** Each award under this Plan shall be evidenced by an Agreement setting forth the terms and conditions applicable to such award. No award shall be valid until an Agreement is executed by the Company and, to the extent required by the Company, executed or electronically accepted by the recipient of such award. Upon such execution or acceptance and delivery of the Agreement to the Company within the time period specified by the Company, such award shall be effective as of the effective date set forth in the Agreement.

**5.4. NON-TRANSFERABILITY.** No award shall be transferable other than by will, the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Company or, to the extent expressly permitted in the Agreement relating to such award, to the holder's family members, a trust or entity established by the holder for estate planning purposes, a charitable organization designated by the holder or pursuant to a domestic relations order, in each case, without consideration. Except to the extent permitted by the foregoing sentence or the Agreement relating to an award, each award may be exercised or settled during the holder's lifetime only by the holder or the holder's legal representative or similar person. Except as permitted by the second preceding sentence, no award may be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of any award, such award and all rights thereunder shall immediately become null and void.

**5.5. TAX WITHHOLDING.** The Company shall have the right to require, prior to the issuance or delivery of any shares of Common Stock or the payment of any cash pursuant to an award made hereunder, payment by the holder of such award of any federal, state, local or other taxes which may be required to be withheld or paid in connection with such award. An Agreement may provide that (i) the Company shall withhold whole shares of Common Stock which would otherwise be delivered to a holder, having an aggregate Fair Market Value determined as of the date the obligation to withhold or pay taxes arises in connection with an award (the "**Tax Date**"), or withhold an amount of cash which would otherwise be payable to a holder, in the amount necessary to satisfy any such obligation or (ii) the holder may satisfy any such obligation by any of the following means: (A) a cash payment to the Company; (B) delivery (either actual delivery or by attestation procedures established by the Company) to the Company of previously owned whole shares of Common Stock having an aggregate Fair Market Value, determined as of the Tax Date, equal to the amount necessary to satisfy any such obligation; (C) authorizing the Company to withhold whole shares of Common Stock which would otherwise be delivered having an aggregate Fair Market Value, determined as of the Tax Date, or withhold an amount of cash which would otherwise be payable to a holder, in either case equal to the amount necessary to satisfy any such obligation; (D) in the case of the exercise of an option, a cash payment by a broker-dealer acceptable to the Company to whom the holder has submitted an irrevocable notice of exercise; or (E) any combination of (A), (B), and (C), in each case to the extent set forth in the Agreement relating to the award. Shares of Common Stock to be delivered or withheld may not have an aggregate Fair Market Value in excess of the amount determined by applying the minimum statutory withholding rate (or, if permitted by the Company, such other rate as shall not cause adverse accounting consequences under the accounting rules then in effect, and is permitted under applicable IRS withholding rules). Any fraction of a share of Common Stock which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by the holder.

**5.6. RESTRICTIONS ON SHARES.** Each award made hereunder shall be subject to the requirement that if at any time the Company determines that the listing, registration or qualification of the shares of Common Stock subject to such award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the delivery of shares thereunder, such shares shall not be delivered unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company may require that certificates evidencing shares of Common Stock delivered pursuant to any award made hereunder bear a legend indicating that the sale, transfer or other disposition thereof by the holder is prohibited except in compliance with the Securities Act of 1933, as amended, and the rules and regulations thereunder.

**5.7. ADJUSTMENT.** In the event of any equity restructuring (within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation or any successor or replacement accounting standard) that causes the per share value of shares of Common Stock to change, such as a stock dividend, stock split, spinoff, rights offering, or recapitalization through an extraordinary cash dividend, the number and class of securities available under this Plan, the terms of each outstanding option and SAR (including the number and class of securities subject to each outstanding option or SAR and the purchase price or base price per share), the terms of each outstanding Stock Award (including the number

and class of securities subject thereto), and the terms of each outstanding Performance Award (including the number and class of securities subject thereto, if applicable) shall be appropriately adjusted by the Committee, such adjustments to be made in the case of outstanding options and SARs in accordance with Section 409A of the Code. In the event of any other change in corporate capitalization, including a merger, consolidation, reorganization, or partial or complete liquidation of the Company, such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee to prevent dilution or enlargement of rights of participants. In either case, the decision of the Committee regarding any such adjustment shall be final, binding and conclusive.

#### 5.8. CHANGE IN CONTROL.

(a) For purposes of this Plan, "**Change in Control**" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

- (1) An acquisition (other than directly from the Company) of any voting securities of the Company (the "**Voting Securities**") by any "**Person**" (having the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act, and as used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d)) immediately after which such Person has beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) ("**Beneficial Ownership**") and/or "**Beneficially Owned**") of 50% or more of the combined voting power of the Company's then outstanding Voting Securities; *provided*, that in determining whether a Change in Control has occurred, Voting Securities which are acquired in a Non-Control Acquisition shall not constitute an acquisition which would cause a Change in Control. For purposes of the Plan, the term "**Non-Control Acquisition**" shall mean an acquisition by (i) the Company or any Subsidiary, (ii) an employee benefit plan (or a trust forming a part thereof) maintained by the Company or any Subsidiary, or (iii) any Person in connection with a Non-Control Transaction (as hereinafter defined);
- (2) The individuals who, as of the Effective Date, are members of the Board (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the Board; *provided*, that if the election, or nomination for election by the Company's stockholders, of any new director was approved by a vote of at least a majority of the Incumbent Board, such new director shall, for purposes of this clause (2), be considered a member of the Incumbent Board; and *provided, further*, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened election contest (as described in former Rule 14a-11 promulgated under the Exchange Act) ("**Election Contest**") or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "**Proxy Contest**"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest;

- (3) Consummation of a merger, consolidation or reorganization involving the Company, unless such transaction is a Non-Control Transaction. For purposes of the Plan, the term “Non-Control Transaction” shall mean a merger, consolidation or reorganization of the Company in which: (i) the stockholders of the Company, immediately before such merger, consolidation or reorganization, own, directly or indirectly immediately following such merger, consolidation or reorganization, at least 50% of the combined voting power of the voting securities of the corporation or entity resulting from such merger, consolidation or reorganization (the “Surviving Company”) over which any Person has Beneficial Ownership in substantially the same proportion as their Beneficial Ownership of the Voting Securities immediately before such merger, consolidation or reorganization; (ii) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least a majority of the members of the board of directors or equivalent body of the Surviving Company; and (iii) no Person (other than the Company, any Subsidiary, any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Company or any Person who, immediately prior to such merger, consolidation or reorganization, had Beneficial Ownership of 50% or more of the then outstanding Voting Securities) has Beneficial Ownership of 50% or more of the combined voting power of the Surviving Company’s then outstanding voting securities;
- (4) A complete liquidation or dissolution of the Company; or
- (5) The sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Subsidiary).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the “Subject Person”) acquired Beneficial Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person; *provided*, that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

Notwithstanding anything in the Plan to the contrary, with respect to any 409A Award, only to the extent necessary for such 409A Award to comply with Section 409A of the Code, a Change in Control must constitute a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of Section 409A(a)(2)(A)(v) of the Code.



(b) Subject to the terms of the applicable Agreements, in the event of a Change in Control, the Board, as constituted prior to the Change in Control, may, in its discretion:

- (1) require that (i) some or all outstanding options and SARs shall become exercisable in full or in part, either immediately or upon a subsequent termination of employment, (ii) the Restriction Period applicable to some or all outstanding Stock Awards shall lapse in full or in part, either immediately or upon a subsequent termination of employment, (iii) the Performance Period applicable to some or all outstanding awards shall lapse in full or in part, and (iv) the Performance Measures applicable to some or all outstanding awards shall be deemed to be satisfied at the target, maximum or any other level;
- (2) require that shares of capital stock of the corporation resulting from or succeeding to the business of the Company pursuant to such Change in Control, or a parent corporation thereof, be substituted for some or all of the shares of Common Stock subject to an outstanding award, with an appropriate and equitable adjustment to such award as determined by the Board in accordance with Section 5.7; and/or
- (3) require outstanding awards, in whole or in part, to be surrendered to the Company by the holder, and to be immediately cancelled by the Company, and to provide for the holder to receive (i) a cash payment in an amount equal to (A) in the case of an option or an SAR, the aggregate number of shares of Common Stock then subject to the portion of such option or SAR surrendered, whether or not vested or exercisable, multiplied by the excess, if any, of the Fair Market Value of a share of Common Stock as of the date of the Change in Control, over the purchase price or base price per share of Common Stock subject to such option or SAR, (B) in the case of a Stock Award or a Performance Award denominated in shares of Common Stock, the number of shares of Common Stock then subject to the portion of such award surrendered to the extent the Performance Measures applicable to such award have been satisfied or are deemed satisfied pursuant to Section 5.8(a)(1), whether or not vested, multiplied by the Fair Market Value of a share of Common Stock as of the date of the Change in Control, and (C) in the case of a Performance Award denominated in cash, the value of the Performance Award then subject to the portion of such award surrendered to the extent the Performance Measures applicable to such award have been satisfied or are deemed satisfied pursuant to Section 5.8(a)(1); (ii) shares of capital stock of the corporation resulting from or succeeding to the business of the Company pursuant to such Change in Control, or a parent corporation thereof, having a fair market value not less than the amount determined under clause (i) above; or (iii) a combination of the payment of cash pursuant to clause (i) above and the issuance of shares pursuant to clause (ii) above.

**5.9. DEFERRALS.** The Committee may determine that the delivery of shares of Common Stock or the payment of cash, or a combination thereof, upon the settlement of all or a portion of any award made hereunder shall be deferred, or the Committee may, in its sole discretion, approve deferral elections made by holders of awards. Deferrals shall be for such periods and upon such terms as the Committee may determine in its sole discretion, subject to the requirements of Section 409A of the Code.

**5.10. NO RIGHT OF PARTICIPATION, EMPLOYMENT OR SERVICE.** Unless otherwise set forth in an employment agreement, no person shall have any right to participate in this Plan. Neither this Plan nor any award made hereunder shall confer upon any person any right to continued employment by or service with the Company, any Subsidiary or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate the employment or service of any person at any time without liability hereunder.

**5.11. RIGHTS AS STOCKHOLDER.** No person shall have any right as a stockholder of the Company with respect to any shares of Common Stock or other equity security of the Company which is subject to an award hereunder unless and until such person becomes a stockholder of record with respect to such shares of Common Stock or equity security.

**5.12. DESIGNATION OF BENEFICIARY.** To the extent permitted by the Company, a holder of an award may file with the Company a written designation of one or more persons as such holder's beneficiary or beneficiaries (both primary and contingent) in the event of the holder's death or incapacity. To the extent an outstanding option or SAR granted hereunder is exercisable, such beneficiary or beneficiaries shall be entitled to exercise such option or SAR pursuant to procedures prescribed by the Company. Each beneficiary designation shall become effective only when filed in writing with the Company during the holder's lifetime on a form prescribed by the Company. The spouse of a married holder domiciled in a community property jurisdiction shall join in any designation of a beneficiary other than such spouse. The filing with the Company of a new beneficiary designation shall cancel all previously filed beneficiary designations. If a holder fails to designate a beneficiary, or if all designated beneficiaries of a holder predecease the holder, then each outstanding award held by such holder, to the extent vested or exercisable, shall be payable to or may be exercised by such holder's executor, administrator, legal representative or similar person.

**5.13. AWARDS SUBJECT TO CLAWBACK.** The awards granted under this Plan and any cash payment or shares of Common Stock delivered pursuant to such an award are subject to forfeiture, recovery by the Company or other action pursuant to the applicable Agreement or any clawback or recoupment policy which the Company may adopt from time to time, including without limitation any such policy which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law.

**5.14. GOVERNING LAW.** This Plan, each award hereunder and the related Agreement, and all determinations made and actions taken pursuant thereto, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

**5.15. FOREIGN EMPLOYEES.** Without amending this Plan, the Committee may grant awards to eligible persons who are foreign nationals and/or reside outside of the United States on such terms and conditions different from those specified in this Plan as may in the judgment of the Committee be necessary or desirable to foster and promote achievement of the purposes of this Plan and, in furtherance of such purposes the Committee may make such modifications, amendments, procedures, subplans and the like as may be necessary or advisable to comply with provisions of laws in other countries or jurisdictions in which the Company or its Subsidiaries operates or has employees.

**THE REALREAL, INC.**  
**EMPLOYEE STOCK PURCHASE PLAN**

1. Purpose. The purpose of this Plan is to provide Employees of the Company and Participating Subsidiaries with an opportunity to purchase common stock of the Company through accumulated payroll deductions. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Code. The provisions of the Plan, accordingly, shall be construed so as to extend and limit participation in a manner consistent with the requirements of that Section of the Code.

2. Definitions. As used herein, the terms set forth below have the meanings assigned to them in this Section 2 and shall include the plural as well as the singular.

*1933 Act* means the Securities Act of 1933, as amended.

*1934 Act* means the Securities Exchange Act of 1934, as amended.

*Board* means the Board of Directors of The RealReal, Inc.

*Business Day* shall mean a day on which The NASDAQ Global Select Market ("NASDAQ") is open for trading.

*Brokerage Account* means the account in which the Purchased Shares are held.

*Code* means the Internal Revenue Code of 1986, as amended.

*Committee* means the Compensation Committee of the Board, or the designee of the Compensation Committee.

*Company* means The RealReal, Inc., a Delaware corporation.

*Compensation* means the base pay received by a Participant, plus vacation, holiday and sick pay. Compensation does not include: (1) income related to stock option awards, stock grants and other equity incentive awards, (2) expense reimbursements, (3) relocation-related payments, (4) benefit plan payments (including but not limited to short-term disability pay, long-term disability pay, maternity pay, military pay, tuition reimbursement and adoption assistance), (5) deceased pay, (6) income from non-cash and fringe benefits, (7) severance payments, (8) commissions, (9) overtime pay, (10) bonuses and (11) other forms of compensation not specifically listed herein.

*Employee* means any individual who is a common law employee of the Company or any other Participating Subsidiary. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on sick leave or other leave of absence approved by the Company or the Participating Subsidiary, as appropriate, and only to the extent permitted under Section 423 of the Code. For purposes of the Plan, an individual who performs services for the Company or a Participating Subsidiary pursuant to an agreement (written or oral) that classifies such individual's relationship with the Company or a Participating Subsidiary as other than a common law employee shall not be considered an "employee" with respect to any period preceding the date on which a court or administrative agency issues a final determination that such individual is an "employee."

*Enrollment Date* means the first Business Day of each Offering Period.

*Exercise Date* means the last Business Day of each Offering Period (or, if determined by the Committee, the Purchase Period if different from the Offering Period).

*Fair Market Value* on or as of any date means the "NASDAQ Official Closing Price" (as defined on [www.nasdaq.com](http://www.nasdaq.com)) (or such substantially similar successor price thereto) for a Share as reported on [www.nasdaq.com](http://www.nasdaq.com) (or a substantially similar successor website) on the relevant valuation date or, if no NASDAQ Official Closing Price is reported on such date, on the preceding day on which a NASDAQ Official Closing Price was reported; or, if the Shares are no longer listed on NASDAQ, the closing price for Shares as reported on the official website for such other exchange on which the Shares are listed.

*Offering Period* means every six-month period beginning each August 1st and February 1st or such other period designated by the Committee; provided that in no event shall an Offering Period exceed 27 months, with the commencement of the first Offering Period to be determined by the Committee. Notwithstanding anything herein to the contrary, the Committee may establish an Offering Period with multiple Purchase Periods within such Offering Period.

*Option* means an option granted under this Plan that entitles a Participant to purchase Shares.

*Participant* means an Employee who satisfies the requirements of Sections 3 and 5 of the Plan.

*Participating Subsidiary* means each Subsidiary other than those that the Committee or the Board has excluded from participation in the Plan.

*Plan* means this The RealReal, Inc. Employee Stock Purchase Plan.

*Purchase Account* means the account used to purchase Shares through the exercise of Options under the Plan.

*Purchase Period* means the period designated by Committee during which payroll deductions or other contributions of the Participants are accumulated under the Plan. A Purchase Period may coincide with an entire Offering Period or there may be multiple Purchase Periods within an Offering Period, as determined by the Committee prior to the commencement of the applicable Offering Period.

*Purchase Price* shall be the lesser of: (i) 85% percent of the Fair Market Value of a Share on the applicable Enrollment Date for an Offering Period and (ii) 85% percent of the Fair Market Value of a Share on the applicable Exercise Date; provided, however, that the Committee may determine a different per share Purchase Price provided that such per share Purchase Price is communicated to Participants prior to the beginning of the Offering Period and provided that in no event shall such per share Purchase Price be less than the lesser of (i) 85% of the Fair Market Value of a Share on the applicable Enrollment Date or (ii) 85% of the Fair Market Value of a Share on the Exercise Date.

*Purchased Shares* means the full Shares issued or delivered pursuant to the exercise of Options under the Plan.

*Shares* means the common stock, par value \$0.00001 per share, of the Company.

*Subsidiary* means an entity, domestic or foreign, of which not less than 50% of the voting equity is held by the Company or a Subsidiary, whether or not such entity now exists or is hereafter organized or acquired by the Company or a Subsidiary; provided such entity is also a "subsidiary" within the meaning of Section 424 of the Code.

*Termination Date* means the date on which a Participant terminates employment or on which the Participant ceases to provide services to the Company or a Subsidiary as an employee, and specifically does not include any period following that date which the Participant may be eligible for or in receipt of other payments from the Company including in lieu of notice or termination or severance pay or as wrongful dismissal damages.

3. Eligibility.

(a) Only Employees of the Company or a Participating Subsidiary shall be eligible to be granted Options under the Plan and, in no event may a Participant be granted an Option under the Plan following his or her Termination Date.

(b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an Option under the Plan if (i) immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company and/or hold outstanding Options or options to purchase stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or of any of its Subsidiaries or (ii) such Option would permit his or her rights to purchase stock under all employee stock purchase plans (described in Section 423 of the Code) of the Company and its Subsidiaries to accrue at a rate that exceeds \$25,000 of the Fair Market Value of such stock (determined at the time each such Option is granted) for each calendar year in which such Option is outstanding at any time. Except as otherwise determined by the Committee prior to the commencement of an Offering Period, no Participant may purchase more than 5,000 Shares during any Offering Period.

4. Exercise of an Option. Options shall be exercised on behalf of Participants in the Plan every Exercise Date, using payroll deductions that have accumulated in the Participants' Purchase Accounts during the immediately preceding Purchase Period or that have been retained from a prior Purchase Period pursuant to Section 8 hereof.

5. Participation.

(a) An Employee shall be eligible to participate on the first Enrollment Date that occurs at least six (6) months after such Employee's first date of employment with the Company or a Participating Subsidiary (or such other period determined by the Committee and communicated to Participants prior to the commencement of an Offering Period in accordance with Section 423 of the Code); provided, that such Employee properly completes and submits an election form by the deadline prescribed by the Company.

(b) An Employee who does not become a Participant on the first Enrollment Date on which he or she is eligible may thereafter become a Participant on any subsequent Enrollment Date by properly completing and submitting an election form by the deadline prescribed by the Company.

(c) Payroll deductions for a Participant shall commence on the first payroll date following the Enrollment Date and shall end on the last payroll date in the Purchase Period to which such authorization is applicable, unless sooner terminated by the Participant as provided in Section 12 hereof.

6. Payroll Deductions.

(a) A Participant shall elect to have payroll deductions made during a Purchase Period equal to no less than 1% of the Participant's Compensation up to a maximum of 15% (or such greater amount as the Committee establishes from time to time). The amount of such payroll deductions shall be in whole percentages. All payroll deductions made by a Participant shall be credited to his or her Purchase Account. A Participant may not make any additional payments into his or her Purchase Account.

(b) Except as otherwise determined by the Committee prior to commencement of an Offering Period, a Participant may not increase or decrease the rate of payroll deductions during an Offering Period. A Participant may change his or her payroll deduction percentage under subsection (a) above for any subsequent Offering Period by properly completing and submitting an election change form in accordance with the procedures prescribed by the Committee. The change in amount shall be effective as of the first Enrollment Date following the date of filing of the election change form.

(c) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b) hereof, a Participant's payroll deductions may be decreased to 0% at any time during an Offering Period. Payroll deductions shall recommence at the rate provided in such Participant's election form at the beginning of the first Offering Period which is scheduled to end in the following calendar year, unless terminated by the Participant as provided in Section 12 hereof.

7. Grant of Option. On the applicable Enrollment Date, each Participant in an Offering Period shall be granted an Option to purchase on the applicable Exercise Date a number of full Shares determined by dividing such Participant's payroll deductions accumulated prior to such Exercise Date and retained in the Participant's Purchase Account as of the applicable Exercise Date by the applicable Purchase Price.

8. Exercise of Option. A Participant's Option for the purchase of Shares shall be exercised automatically on the Exercise Date, and the maximum number of Shares subject to the Option shall be purchased for such Participant at the applicable Purchase Price with the accumulated payroll deductions in his or her Purchase Account. If the Fair Market Value of a Share on the first day of the current Offering Period in which a participant is enrolled is higher than the Fair Market Value of a Share on the first day of any subsequent Offering Period, the Company may establish procedures to automatically enroll such participant in the subsequent Offering Period and any funds accumulated in a participant's account prior to the first day of such subsequent Offering Period will be applied to the purchase of shares on the Exercise Date immediately prior to the first day of such subsequent Offering Period. A participant does not need to file any forms with the Company to be automatically enrolled in the subsequent Offering Period.

No fractional Shares shall be purchased; any payroll deductions accumulated in a Participant's Purchase Account which are not sufficient to purchase a full Share shall be retained in the Purchase Account for the next subsequent Purchase Period, subject to earlier withdrawal by the Participant as provided in Section 12 hereof. All other payroll deductions accumulated in a Participant's Purchase Account and not used to purchase Shares on an Exercise Date shall be distributed to the Participant. During a Participant's lifetime, a Participant's Option is exercisable only by him or her. The Company shall satisfy the exercise of all Participants' Options for the purchase of Shares through (a) the issuance of authorized but unissued Shares, (b) the transfer of treasury Shares, (c) the purchase of Shares on behalf of the applicable Participants on the open market through an independent broker and/or (d) a combination of the foregoing.

9. Issuance of Stock. The Shares purchased by each Participant shall be issued in book entry form and shall be considered to be issued and outstanding to such Participant's credit as of the end of the last day of each Purchase Period. The Committee may permit or require that shares be deposited directly in a Brokerage Account with one or more brokers designated by the Committee or to one or more designated agents of the Company, and the Committee may use electronic or automated methods of share transfer. The Committee may require that Shares be retained with such brokers or agents for a designated period of time and/or may establish other procedures to permit tracking of disqualifying dispositions of such shares, and may also impose a transaction fee with respect to a sale of Shares issued to a Participant's credit and held by such a broker or agent. The Committee may permit Shares purchased under the Plan to participate in a dividend reinvestment plan or program maintained by the Company, and establish a default method for the payment of dividends.

10. Approval by Stockholders. Notwithstanding the above, the Plan is expressly made subject to the approval of the stockholders of the Company within 12 months before or after the date the Plan is adopted by the Board. Such stockholder approval shall be obtained in the manner and to the degree required under applicable federal and state law. If the Plan is not so approved by the stockholders within 12 months before or after the date the Plan is adopted by the Board, this Plan shall not come into effect.

11. Administration.

(a) Powers and Duties of the Committee. The Plan shall be administered by the Committee. Subject to the provisions of the Plan, Section 423 of the Code and the regulations thereunder, the Committee shall have the discretionary authority to determine the time and frequency of granting Options, the duration of Offering Periods and Purchase Periods, the terms and conditions of the Options and the number of Shares subject to each Option. The Committee shall also have the discretionary authority to do everything necessary and appropriate to administer the Plan, including, without limitation, interpreting the provisions of the Plan (but any such interpretation shall not be inconsistent with the provisions of Section 423 of the Code). All actions, decisions and determinations of, and interpretations by the Committee with respect to the Plan shall be final and binding upon all Participants and upon their executors, administrators, personal representatives, heirs and legatees. No member of the Board or the Committee shall be liable for any action, decision, determination or interpretation made in good faith with respect to the Plan or any Option granted hereunder. The Plan shall be administered so as to ensure that all Participants have the same rights and privileges as are provided by Section 423(b)(5) of the Code.

(b) Administrator. The Company, Board or the Committee may engage the services of a brokerage firm or financial institution (the "Administrator") to perform certain ministerial and procedural duties under the Plan including, but not limited to, mailing and receiving notices contemplated under the Plan, determining the number of Purchased Shares for each Participant, maintaining or causing to be maintained the Purchase Account and the Brokerage Account, disbursing funds maintained in the Purchase Account or proceeds from the sale of Shares through the Brokerage Account, and filing with the appropriate tax authorities proper tax returns and forms (including information returns) and providing to each Participant statements as required by law or regulation.

(c) Indemnification. Each person who is or shall have been (a) a member of the Board, (b) a member of the Committee, or (c) an officer or employee of the Company to whom authority was delegated in relation to this Plan, shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit or proceeding against him or her; provided, however, that he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf, unless such loss, cost, liability or expense is a result of his or her own willful misconduct or except as expressly provided by statute.

The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's certificate of incorporation or bylaws, any contract with the Company, as a matter of law, or otherwise, or of any power that the Company may have to indemnify them or hold them harmless.

12. Withdrawal. A Participant may withdraw from the Plan by properly completing and submitting to the Company a withdrawal form in accordance with the procedures prescribed by the Committee, which must be submitted prior to the date specified by the Committee before the last day of the applicable Offering Period. Upon withdrawal, any payroll deductions credited to the Participant's Purchase Account prior to the effective date of the Participant's withdrawal from the Plan will be returned to the Participant. No further payroll deductions for the purchase of Shares will be made during subsequent Offering Periods, unless the Participant properly completes and submits an election form, by the deadline prescribed by the Company. A Participant's withdrawal from an offering will not have any effect upon his or her eligibility to participate in the Plan or in any similar plan that may hereafter be adopted by the Company.

13. Termination of Employment. On the Termination Date of a Participant for any reason prior to the applicable Exercise Date, whether voluntary or involuntary, and including termination of employment due to retirement, death or as a result of liquidation, dissolution, sale, merger or a similar event affecting the Company or a Participating Subsidiary, the corresponding payroll deductions credited to his or her Purchase Account will be returned to him or her or, in the case of the Participant's death, to the person or persons entitled thereto under Section 16, and his or her Option will be automatically terminated.

14. Interest. No interest shall accrue on the payroll deductions of a Participant in the Plan.

15. Stock.

(a) The stock subject to Options shall be common stock of the Company as traded on the NASDAQ or on such other exchange as the Shares may be listed.

(b) Subject to adjustment upon changes in capitalization of the Company as provided in Section 18 hereof, the maximum number of Shares which shall be made available for sale under the Plan shall be 1,750,000 Shares. In addition, subject to adjustments upon changes in capitalization of the Company as provided in Section 18 hereof, the maximum number of Shares which shall be made available for sale under the Plan shall automatically increase on the first trading day in January of each calendar year during the term of this Plan, commencing with January 2020, by an amount equal to the lesser of (i) one percent (1%) of the total number of Shares issued and outstanding on December 31 of the immediately preceding calendar year, (ii) 1,750,000 Shares or (iii) such number of Shares as may be established by the Board. If, on a given Exercise Date, the number of Shares with respect to which Options are to be exercised exceeds the number of Shares then available under the Plan, the Committee shall make a pro rata allocation of the Shares remaining available for purchase in as uniform a manner as shall be practicable and as it shall determine to be equitable.

(c) A Participant shall have no interest or voting right in Shares covered by his or her Option until such Option has been exercised and the Participant has become a holder of record of Shares acquired pursuant to such exercise.

16. Designation of Beneficiary. The Committee may permit Participants to designate beneficiaries to receive any Purchased Shares or payroll deductions, if any, in the Participant's accounts under the Plan in the event of such Participant's death. Beneficiary designations shall be made in accordance with procedures prescribed by the Committee. If no properly designated beneficiary survives the Participant, the Purchased Shares and payroll deductions, if any, will be distributed to the Participant's estate.



17. Assignability of Options. Neither payroll deductions credited to a Participant's Purchase Account nor any rights with regard to the exercise of an Option or to receive Shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 16 hereof) by the Participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw from an Offering Period in accordance with Section 12 hereof.

18. Adjustment of Number of Shares Subject to Options.

(a) Adjustment. Subject to any required action by the stockholders of the Company, the maximum number of securities available for purchase under the Plan, as well as the price per security and the number of securities covered by each Option under the Plan which has not yet been exercised shall be appropriately adjusted in the event of any a stock split, reverse stock split, stock dividend, combination or reclassification of the common stock of the Company, or any other increase or decrease in the number of Shares effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board or the Committee, whose determination in that respect shall be final, binding and conclusive. If any such adjustment would result in a fractional security being available under the Plan, such fractional security shall be disregarded. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Option. The Options granted pursuant to the Plan shall not be adjusted in a manner that causes the Options to fail to qualify as options issued pursuant to an "employee stock purchase plan" within the meaning of Section 423 of the Code.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Offering Period then in progress will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board, and the Board may either provide for the purchase of Shares as of the date on which such Offering Period terminates or return to each Participant the payroll deductions credited to such Participant's Purchase Account.

(c) Merger or Asset Sale. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each outstanding Option shall be assumed or an equivalent option substituted by the successor corporation or a parent or subsidiary of the successor corporation, unless the Board determines, in the exercise of its sole discretion, that in lieu of such assumption or substitution to either terminate all outstanding Options and return to each Participant the payroll deductions credited to such Participant's Purchase Account or to provide for the Offering Period in progress to end on a date prior to the consummation of such sale or merger.

19. Amendments or Termination of the Plan.

(a) The Board or the Committee may at any time and for any reason amend, modify, suspend, discontinue or terminate the Plan without notice; provided that no Participant's existing rights in respect of existing Options are adversely affected thereby. To the extent necessary to comply with Section 423 of the Code (or any other applicable law, regulation or stock exchange rule), the Company shall obtain stockholder approval in such a manner and to such a degree as required.

(b) Without stockholder consent and without regard to whether any Participant rights may be considered to have been "adversely affected," the Board or the Committee shall be entitled to change the Purchase Price, Offering Periods, Purchase Periods, eligibility requirements, limit or increase the frequency and/or number of changes in the amount withheld during a Purchase Period, establish the exchange ratio

applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in an amount less than or greater than the amount designated by a Participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Shares for each Participant properly correspond with amounts withheld from the Participant's Compensation, and establish such other limitations or procedures as the Board or the Committee determines in its sole discretion advisable which are consistent with the Plan; provided, however, that changes to (i) the Purchase Price, (ii) the Offering Period, (iii) the Purchase Period, (iv) the maximum percentage of Compensation that may be deducted pursuant to Section 6(a) or (v) the maximum number of Shares that may be purchased in a Purchase Period, shall not be effective until communicated to Participants in a reasonable manner, with the determination of such reasonable manner in the sole discretion of the Board or the Committee.

20. No Other Obligations. The receipt of an Option pursuant to the Plan shall impose no obligation upon the Participant to purchase any Shares covered by such Option. Nor shall the granting of an Option pursuant to the Plan constitute an agreement or an understanding, express or implied, on the part of the Company to employ the Participant for any specified period.

21. Notices and Communication. Any notice or other form of communication which the Company or a Participant may be required or permitted to give to the other shall be provided through such means as designated by the Committee, including but not limited to any paper or electronic method.

22. Condition upon Issuance of Shares.

(a) Shares shall not be issued with respect to an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the 1933 Act and the 1934 Act and the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

23. General Compliance. The Plan will be administered and Options will be exercised in compliance with the 1933 Act, 1934 Act and all other applicable securities laws and Company policies, including without limitation, any insider trading policy of the Company.

24. Term of the Plan. The Plan shall become effective upon the earlier to occur of (i) its adoption by the Board and (ii) its approval by the stockholders of the Company (the "Effective Date"), and shall continue in effect until the earlier of (A) the termination of the Plan pursuant to Section 19 hereof and (B) the ten-year anniversary of the Effective Date, with no new Offering Periods commencing on or after such ten-year anniversary.

25. Governing Law. The Plan and all Options granted hereunder shall be construed in accordance with and governed by the laws of the State of Delaware without reference to choice of law principles and subject in all cases to the Code and the regulations thereunder.

26. Non-U.S. Participants. To the extent permitted under Section 423 of the Code, without the amendment of the Plan, the Company may provide for the participation in the Plan by Employees who are subject to the laws of foreign countries or jurisdictions on such terms and conditions different from those specified in the Plan as may in the judgment of the Company be necessary or desirable to foster and promote achievement of the purposes of the Plan and, in furtherance of such purposes the Company may make such modifications, amendments, procedures, subplans and the like as may be necessary or advisable to comply with provisions of laws of other countries or jurisdictions in which the Company or the Participating Subsidiaries operate or have employees. Each subplan shall constitute a separate "offering" under this Plan in accordance with Treas. Reg. §1.423-2(a).

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
The RealReal, Inc.:

We consent to the use of our report included herein and to the reference to our firm under the heading “Experts” in the prospectus.

Our report refers to a change in the Company’s method of accounting for revenue due to the adoption of Accounting Standards Update 2014-09, Revenue from Contracts with Customers, on January 1, 2018.

/s/ KPMG LLP

San Francisco, California  
June 14, 2019